Formative Evaluation of the Canada Education Savings Grant Program

Final Report

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List of Acronyms

AIP	Accumulated Income Payment
EAP	Education Assistance Payment
CCRA	Canadian Customs and Revenue Agency
CESG	Canada Education Savings Grant
CEGEP	Collège d'enseignement général et professionnel
HRDC	Human Resources Development Canada
LAD	Longitudinal Analysis Dataset
LLD	Learning and Literacy Directorate
PSE	Post-secondary Education
RESP	Registered Education Savings Plan
RRSP	Registered Retirement Savings Plan
SAEP	Survey of Approaches to Education Planning
SIN	Social Insurance Number

Executive Summary

The Canada Education Savings Grant (CESG) Program was introduced in 1998 to encourage Canadians to save for the post-secondary education (PSE) of children. The program provides a grant of 20 percent on the first $2,000 of annual contributions to Registered Education Savings Plans (RESPs) for children up to the age of 17. The CESG is administered by the Learning and Literacy Directorate of Human Resources Development Canada (HRDC).

Over the first four years of the program (1998/99 to 2001/02), close to $1 billion dollars was paid out in grants, with a total of $318 million being paid out in 2000/01.

Evaluation Issues and Approach

This formative evaluation of the CESG was conducted between January and October 2002. Its purpose was to provide reliable information on program relevance, program design and delivery, and to consider the early signs of program impacts.

Evaluating programs, such as the CESG, raises a number of challenges. The CESG is designed to encourage early and sustained participation in RESPs as a way to reduce financial barriers to PSE, increase PSE access and participation, and reduce the financial burden of PSE. Achieving these objectives involves working through groups and individuals beyond the direct influence of the CESG Program. As a result, in individual instances, specific outcomes of the CESG are not easy to track and measure. While these challenges will be more of a consideration for the summative evaluation of the program, they are also relevant to the consideration of the early signs of program impacts.

The methodology used by the formative evaluation recognized these challenges and attempted to address them in a number of ways. The evaluation approach emphasized the use of multiple lines of evidence thereby allowing for findings from one approach to be corroborated by findings from other lines of evidence. Quantitative and qualitative information was gathered from a range of groups (i.e. RESP subscribers, non-subscribers, promoters/trustees, and informants). A review of program documents, administrative data and the literature on PSE financing and access was undertaken to help develop and inform the methodology and lines of enquiry for the various lines of evidence.

In summary, the evaluation included the following key components:

- A survey of 1,998 RESP subscribers;
- A survey of 1,001 non-subscribers;
- A survey of 37 promoters/trustees; (i.e. financial institutions)
- 20 informant interviews (with eight government representatives, six researchers/non-government organizations, and six financial experts);
- A review/analysis of program documents and the literature on PSE financing and access; and
- The use of administrative and other data.

The evaluation approach had certain shortcomings that should be noted. First, inaccuracies in the contact information available on RESP subscribers created difficulties in surveying subscribers. Second the study was not designed to measure program incrementality. Thus, the net impact of CESG on RESP take-up and contributions could not be fully measured. Third, the small sample size of the survey of promoters/trustees and the informant interviews means that the data/information collected from these sources may not be representative.

Evaluation Findings

Program Relevance:

A number of factors act as potential barriers to PSE participation.

The literature review indicated that factors impeding PSE include the costs of PSE, parents having low levels of education, and a child having poor school performance. At the same time, Canadians have a strong interest in PSE and both RESP subscribers and non-subscribers have high expectations for the education of their children. Most subscribers and most non-subscribers expect their beneficiaries/children to attend either university (78 percent of subscribers and 60 percent of non-subscribers) or college (29 percent and 43 percent, respectively).

Less than half of Canadian households with children under the age of 18 had saved for the future education of their children, with some groups putting aside more than others.

Results from the 1999 Survey of Approaches to Education Planning (SAEP) indicated that 17 percent of households, and 45 percent of those with children under 18, had savings for PSE. Further analysis (multivariate) of the SAEP data indicated that the incidence of saving for PSE is particularly high for those with a university degree, those with an annual income of $80,000 or more, and residents of the Atlantic and Prairie Provinces.

There is uncertainty about the cost of post-secondary education and how much savings will be required.

Although some subscribers and non-subscribers have fairly realistic expectations of the cost of PSE, a large proportion of both groups (18 percent of subscribers, 26 percent of non-subscribers) could not or did not respond to the question on what they thought the total annual cost of PSE would be when their child enters PSE. There is also uncertainty about how much of the cost of the child's PSE will be covered by their savings (22 percent of non-subscribers and 13 percent of subscribers could not or did not respond to the survey question in this area).

The CESG is a key program in Canada designed to encourage adults to save for the future PSE of children through a combination of tax-sheltered income-earning savings and grant.

Repayable government and private student loans and study grants and non-repayable government and private scholarships, grants and bursaries are directed at *youth*, typically in disadvantaged positions and seek to facilitate their participation in PSE *at the time of entry* or assist debt repayment after completion of PSE.

Characteristics of RESP Subscribers:

The evaluation identified a number of basic characteristics of subscribers.

RESP subscribers have been contributing to RESPs for an average of six years. Almost all have one or two plans and deal with only one promoter/trustee (financial institution). Most have one or two beneficiaries. The average grant allotted in 2000 (the last complete year for which CESG data were available at the time of the evaluation) was $389 per subscriber.

Key factors affecting CESG take-up include parent's education, age and school aspirations for their children, the child's performance in school, and province of residence.

Multivariate analysis identified certain characteristics of subscribers as being influential in predicting RESP take-up, after controlling for the influence of other factors. Among the strongest predictors of whether or not parents will contribute to an RESP on behalf of the child are the child's school performance and their parents' expectations that they will attend university. Other predictive factors include parents' education, their age (over 35 years) and *not* living in Quebec. The lower RESP take-up rate in Quebec is likely attributable to the province's publicly funded college system (CEGEP) and relatively low university tuition fees for Quebec residents. The effect of income, although significant, is weaker than these other factors.

The foregoing analysis indicates the importance to undertake segmented analysis of the factors affecting take-up for various characteristics of subscribers (e.g., education, age, income) in a summative evaluation. Such an analysis would possibly reveal important factors that predict RESP take-up among different subscriber groups, and by so doing, indicate promotional and marketing methods that would be important in targeting the program.

RESP contributions rise with income and are significantly lower than the population share for parents with low household income and higher for those with high household income.

The share of RESP contributing households during the period of 1998 to 2001, was very low for households with $20,000 or less of pre-tax income (8.6 percent) in comparison to their share of all households (33.6 percent). Households in the $20,000 - $39,999 income category have a share of RESP contribution that is slightly less than their share of households while households in the $40,000 - $79,999 categories have a modestly higher share of RESP contribution than their share of all households. For households above $80,000, their share of RESP contributing households is much higher (36.2 percent) than their share of all households (16.5 percent).

Design and Delivery:

Awareness of the CESG and its rules is low in lower income groups and rises with income level.

Eight-five percent of those making RESP contributions were aware that they were receiving a grant, but only half (48 percent) of non-subscribers had heard about the CESG. Lack of awareness of the CESG was associated with lower income and education levels, as well as living in Quebec.

Government promotion materials are not particularly effective in reaching subscribers and potential subscribers.

Few subscribers (4 percent) and non-subscribers (11 percent) identified government material as their source of awareness about the CESG, although these numbers may not include some of those who heard about the program from government-sponsored advertisements in newspapers or on television.

Less than half of subscribers are satisfied with the ease in finding and understanding information about the CESG, and only 62 percent of promoters/trustees are satisfied with this information.

The majority of RESP subscribers are satisfied with service delivery, although satisfaction was lower for clients of scholarship foundations.

The majority of subscribers are satisfied with all aspects of service delivery. In particular, three-quarters or more are satisfied with the ability of HRDC staff to serve them in the language of their choice and the response time of staff to answer requests by e-mail.

A majority of subscribers are also satisfied with most aspects of program delivery by promoters and trustees. Particular strengths include courtesy and staff knowledge of rules regarding the regularity and amount of the RESP contribution. However, satisfaction with the courtesy and knowledge of staff and satisfaction with service fees was significantly lower for clients of scholarship foundations.

Most promoters/trustees are satisfied with HRDC program delivery, although some areas were identified for improvement.

Most promoters/trustees are satisfied with all aspects of HRDC program delivery to them. Areas where satisfaction is particularly high include the speed with which grants are issued, and the courtesy and language ability of HRDC staff. Response time of staff at the HRDC Call Centre received the lowest rating from Promoters/Trustees.

Promoters/trustees exhibited only a modest level of understanding of reporting requirements. Fewer than half of promoters/trustees surveyed said they understood their reporting requirements under the CESG to a large extent, and several found them difficult to implement. Despite saying that partners' roles and responsibilities were clearly specified and understood, most informants felt that roles and responsibilities needed further clarification. As well, large numbers of promoters/trustees were not satisfied with the information and training provided to them on roles and responsibilities.

A number of factors were identified as affecting program delivery.

Factors identified as affecting program delivery included the potential for the grant to be seen as insignificant, insufficient human resources to manage the program, confusion in the public's mind over the respective roles of HRDC and Canada Customs and Revenue Agency (CCRA), and the fees financial institutions charge subscribers.

Few of those consulted identified the rules associated with RESPs as barriers to program delivery.

Administrative data systems are effective in delivering grants, although they were not well suited to developing the sample frame for the survey of RESP subscribers and to developing a comparison group for evaluation purposes.

The administrative data systems were seen as particularly effective in delivering the grants. Most promoters/trustees viewed the security measures as adequate for encrypting and transferring client data to HRDC.

Inaccuracies in the contact information available for RESP subscribers made it difficult to develop and conduct the survey of subscribers.

Early Signs of Program Impacts:

The available evidence indicates that the number of individuals contributing to RESPs increased significantly when the CESG was introduced.

The linked CESG-LAD database reveals a significant increase in savings for PSE. The proportion of taxpayers with children under 19 years of age and who contributed to a RESP rose from 4.1 percent in 1998 (when the CESG was just getting under way) to 6.2 percent in 1999 (when the CESG was fully operational), and to 7.2 percent in 2000. Other lines of evidence also indicate that the program had an impact on contribution levels. From the survey of CESG subscribers, 72 percent of subscribers indicated that the program had an important effect on their decision to open an RESP account and 23 percent said it was somewhat important. Analysis of the linked CESG-LAD database also revealed that contributions to RRSPs did not decrease between 1998 and 1999.

The foregoing analysis indicates that the introduction of the CESG had an impact on PSE savings. However, the study methodology did not allow for a determination of CESG's net impact on PSE savings; nor was it possible to assess the extent to which savings were transferred from other investment vehicles to RESPs.

There is evidence that the CESG encouraged some subscribers to contribute more to RESPS.

CESG administrative data indicate that average assisted contributions (attracting the grant) rose from $1,640 in 1998 to $2,105 in 1999, although average contributions fell somewhat to $1,945 in 2000.

About 40 percent of all subscribers surveyed reported that the program positively influenced their contributions to RESP. About half of those with RESPs since the program's introduction said they contribute more to RESPs than they would contribute without the grant.

The foregoing provides evidence of the potential that CESG led to an increase in savings for PSE. However, the study methodology does not allow for a determination of the extent to which increases in contribution levels are attributable to the program. Similar to the discussion on the incremental effect of CESG on the number of RESP contributions, the summative evaluation will focus on measuring the net impact of the program on the contribution level.

Limitations:

There is a need for more targeting at lower-income families and for more effective promotional materials to reach targeted audiences.

Awareness of the true cost of PSE, the benefits of attaining higher levels of education and the benefits of saving for the future PSE of children could be increased. The fact that half of non-subscribers said they would contribute to an RESP if they knew they would receive a grant for doing so suggests more effective promotion could increase RESP up-take. Promotion of the program would likely have a limited impact, however, for those families earning less than $20,000 with relatively little discretionary income.

There is a need to do more to clarify reporting requirements and roles and responsibilities of delivery partners.

The evaluation indicates that there is a need to further clarify the roles and responsibilities of delivery partners, particularly those of HRDC and the CCRA. There is also a need for more effort to improve understanding and facilitate implementation of program reporting requirements on the part of promoters and trustees.

Program delivery could be improved by considering ways to improve the CESG Call Centre.

Another way to help improve delivery is to consider ways to improve the response time of the CESG Call Centre.

Consideration should be given to ensure the availability of subscribers' contact information.

Ensuring the availability of accurate subscribers contact information would help to support the evaluation process and the assessment of program impacts in the summative evaluation.

The summative evaluation should include a concerted effort to measure the net impacts of the program on PSE savings and RESP take-up.

The formative evaluation has shown that the introduction of CESG in 1998 was accompanied by increases in RESP holdings and contribution levels. However, the extent to which these changes were due to the introduction of CESG could not be determined, as the study was not designed to measure the net impact of CESG. As the determination of CESG's net impact with respect to RESP holdings and contribution levels are important areas of research for the summative evaluation planned for 2004, exploratory data and modelling work will be undertaken in 2003 to determine the best methods to use.

- An expert panel composed of econometricians, financial experts, HRDC program and research officials as well as representatives from other government departments (e.g., Finance) will review and provide advice on the CESG methodological plan and the findings from the exploratory data and modelling work. The work will be completed in 2003.

The incremental effect of the CESG on the number of RESPs will be addressed in the summative evaluation.

Incrementality in program evaluation terms, attempts to answer the following question: "(1) Did the program intervention make an overall difference with respect to the intended result?; and (2) If yes, what was the extent of the difference?"

With respect to the CESG, the desired incremental program effect is illustrated in Exhibit 7.1, page 46. The difference between the projected trend line and the actual post-program observation of RESP contribution (either in terms of total amount, or number of new accounts) after the introduction of CESG, can be attributed to the program itself. A_1, A_2, A_3 are observations of past RESP contributions. A_4 is the projected contribution of RESP without CESG and B_1 is the actual contribution of RESP after the introduction of CESG. The difference between B_1 and A_4 is the estimated program incremental effect at point t_2.

Management Response

Introduction

The CESG Formative Evaluation was undertaken to assess the relevance, design and delivery, and early impacts of the *Canada Education Savings Grant Program*, which is administered under the *HRD Act*. The evaluation process was undertaken January to October of 2002, three years after the program began operating.

The Learning and Literacy Directorate (LLD) has reviewed the formative evaluation report that was completed in November of 2002. We are pleased with the overall findings and the insight the evaluation provided. The management team believes the evaluation has correctly found that the program is relevant to the needs of Canadians in today's knowledge-based economy, that significant increases in the level and incidence of savings for children's post-secondary education have occurred since the introduction of the program, and that the program provides a model for efficient and effective alternative service delivery. Low levels of awareness—especially among lower income and lesser educated Canadians—remain an area where the program needs improvement. The following is management's response to further details in the evaluation report.

Positive Findings

The formative evaluation has provided clear evidence that the program has had a positive impact on the savings behaviour of Canadian families for their children's post-secondary education. There has been a significant increase in the incidence of saving for PSE—the percentage of taxpayers with children under 19 years of age who contributed to an RESP rose from 4.1% in 1998 to 7.2% in 2000. Furthermore, average contributions have also increased significantly since the first year of the program[1].

The CESG is a key program in Canada designed to encourage adults to save for the future PSE of children through a combination of tax-sheltered income-earning savings and grant.

CESG administrative data systems, developed in coordination with promoters' systems, provide secure, quick and efficient delivery of grant. The systems permit an alternative delivery model that is extremely efficient, has low error rates[2] and allows the program to be delivered to every household in Canada.

The Program was pleased to see that even families with very modest incomes were participating in the program. For example, the evaluation found that 16.5% of families participating in the program have family incomes of only $20-40,000, slightly less than their representation within the population. Furthermore, visible minorities and persons with disabilities were more highly represented among CESG Subscribers than among non-subscribers, thereby contributing to the objectives of the Government of Canada as outlined in *Knowledge Matters*.

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1 Table 5.5 of Final Report, *Mean RESP Contributions and CESG Grants by Year and by Type of Plan*.

2 Approximately 7% of transactions reported by promoters are rejected as errors. No funds are paid on these rejected transactions until the appropriate corrections are made and the transactions re-submitted.

Areas for Improvement

The CESG formative evaluation report also identified five areas where improvements could be made.

1) Lack of awareness of the program among non-subscribers has been identified as an area of concern. The Program identified this concern early and developed a promotion strategy to address the low levels of awareness in regions with poor take-up of the program by developing relationships with regional offices in Quebec, Manitoba, and New-Brunswick and by focusing on direct marketing efforts at the community level. The CESG Program has also recently piloted a project where Program information materials were inserted into National Child Tax Benefit Program mail outs to those eligible for the benefit, namely those families with low-incomes.

Several characteristics of subscribers were identified as being influential in predicting RESP take-up. These suggest a cultural dynamic where parents with higher education are more aware of the multiple benefits of education and therefore invest more in their own children's education. Families with lower incomes are often left unaware of the CESG Program or they lack an adequate understanding of its benefits. The Program recognizes that financial literacy may play an important role in non-subscribers overall awareness of the Program and the long term benefits of saving for PSE.

2) Clarification of the roles and responsibilities of the promoters and partners is one area where the program is striving to improve. The program has taken a number of steps to improve our partners' expectations and understanding of their roles and responsibilities: a) promoter and trustee agreements were revised to reduce existing ambiguities, and b) agreements have recently been negotiated with our Systems partners and another is under development with CCRA.

The Program also recognizes that promoters do not always fully understand their reporting requirements. We have begun to provide technical support to promoters to help them meet the Program's reporting requirements. There are several other measures the Program has taken to clarify for promoters their reporting requirements. These include developing clearer forms for conducting business, improving training and information sessions, and developing a dedicated website to provide technical information requested by promoters.

3) Although the evaluation found that, in general, the CESG Program provided a favourable level of client service to both clients and its partners, it found that e-mail and call centre response times were slow. The program remains conscious of the need to always strive to improve service delivery. To this end the Program is developing a client service strategy to improve the quality of our service delivery.

4) The evaluators have challenged the program's ability to provide adequate contact data of subscribers required for the summative evaluation. We are currently looking at different options, both automated and manual, that would improve the quality of subscriber contact information maintained in CESG systems. In addition, it should be noted that Promoters and Trustees are another source of subscriber contact information for the summative evaluation and are contractually obligated to provide CESG with contact and transactional information.

These obligations are outlined in agreements that govern the relationship between the Program, Trustees, and Promoters.

5) Finally, the formative evaluation recommends that the summative evaluation should include a concerted effort to measure the net impacts of the Program on PSE savings and RESP take-up. The Program concurs with the recommendation that an expert advisory panel be convened to develop a method for assessing the incremental impact of the program and looks forward to an active role on the advisory panel.

Concluding Remarks

The CESG management team appreciates the excellent work conducted by the evaluators. The data gathered throughout this evaluation will provide the foundation for further program development. It is the intention of the program to discuss the results of the evaluation with its delivery partners in an effort to perfect the program and to improve client service.

1. Introduction

The Canada Education Savings Grant (CESG) Program was introduced in 1998 to encourage Canadians to save for the post-secondary education (PSE) of children. The program provides a grant of 20 percent on the first $2,000 of annual contributions to Registered Education Savings Plan (RESPs) for children up to the age of 17. The CESG is administered by the Learning and Literacy Directorate (LLD) of Human Resources Development Canada (HRDC).

Over the first four years of the program (1998/99 to 2001/02), close to $1 billion was paid out in grants, with a total of $318 million being paid out in 2000/01.

The formative evaluation of the CESG was conducted between January and October 2002.

This report on the formative evaluation includes the following:

- Section 2 presents a description of the CESG Program;
- Section 3 summarizes the evaluation issues and the methods used to conduct the evaluation;
- Section 4 presents the findings for issues of program relevance;
- Section 5 provides a profile of subscribers, examines the characteristics of their plans and beneficiaries, and takes a look at the level of grants provided under the CESG;
- Section 6 examines issues of program design and delivery;
- Section 7 considers the early signs of program impacts; and
- Section 8 provides a summary of the main conclusions and the areas identified for improvement.

2. Overview of the CESG

The CESG was introduced in 1998 to encourage Canadians to make contributions to RESPs for the future PSE of their children, grandchildren, or other named beneficiaries. The CESG is a component of the Canadian Opportunities Strategy, which was initiated by the Government of Canada to encourage Canadians to attend PSE as a means of enhancing knowledge and skills.

The logic model for the CESG is set out in *Appendix B – Program Logic Model*. As indicated in the logic model, the end objective/goal of the program is to contribute to having more skilled and knowledgeable Canadians who are able to participate fully in the workplace and society. The CESG seeks to achieve this goal by pursuing four strategic objectives:

- Promoting inclusion through participation in workplaces and communities;
- Promoting an educated, skilled and prepared workforce through skills and learning;
- Improving program administrative practices through ensuring program integrity and continuous improvement; and
- Building and maintaining relationships with partners.

The CESG pursues these strategic objectives through four main activities (i.e. marketing, research and analysis, grant administration, and relationship development) that are aimed at four short-term outcomes:

- Increased awareness of the CESG and the importance of saving for PSE; and
- Three program-related outcomes (i.e. program decision-making; increased efficiency and effectiveness of program delivery; and enhanced quality/integrity of the program).

All of the short-term outcomes are aimed at encouraging early and sustained participation in RESPs, in order to:

- Reduce financial barriers to PSE;
- Increase PSE access and participation; and
- Reduce the financial burden of PSE.

2.1 RESP/CESG Procedures

The RESP/CESG procedures set out the requirements for subscribers and promoters:

- ***An RESP subscriber:*** A subscriber must be an individual and not an organization, corporation or trust. An individual becomes a subscriber of an RESP by selecting and signing a contract with an RESP promoter.

- ***An RESP promoter:*** The promoter can be any person or organization offering an RESP to the public, such as a bank, trust company, a mutual fund management company, an investment dealer, an independent financial advisor or group scholarship trusts. As required by the *Income Tax Act*, the property of an RESP must be held by a corporation licensed to be a trustee in Canada.

Under the terms of the contract, the subscriber agrees to contribute to the RESP on behalf of an individual named under the plan as the beneficiary. The promoter, in turn, agrees to invest the subscriber's contributions and the grant from the CESG and make Education Assistance Payments to the beneficiary when he or she begins their PSE. The promoter also helps the subscriber in applying for the CESG based on the subscriber's contributions to the RESP. The promoter notifies HRDC of the contributions and HRDC processes the request and submits the appropriate grant amount to the promoter/trustee. The promoter then deposits the grant directly into the subscriber's RESP account. The promoter may charge an administration fee and/or close-out fee, and may impose rules as to the frequency and minimum amount that can be deposited in an RESP.

In order to be eligible for the CESG, the RESP must comply with tax rules set out in the *Income Tax Act* (the Act). The Canada Customs and Revenue Agency (CCRA) administers the tax provisions under the Act.

2.2 Payments To and From RESPs

Under the CESG Program, the Government provides a grant of 20 percent on the first $2,000 of annual contributions made to the RESP for children up to age 17 (the maximum allowable annual RESP contribution is $4,000). Starting January 1, 1998, all children who are Canadian residents began to accumulate "grant room" at a rate of $400 per year until the end of the year in which they become 17 years of age. If RESP contributions made on behalf of a beneficiary in one year do not attract the full $400 of the CESG, the unused portion of the CESG will be added to the beneficiary's grant room and will be available for use in another year. A beneficiary could receive up to $800 in grants in a single year, based on the maximum annual RESP contribution limit of $4,000. A maximum of $7,200 ($400 times 18 years) per beneficiary is available through the CESG.

The CESG is deposited directly into an RESP. Savings in the RESP grow tax-free until the beneficiary attends a PSE institution full-time.

When the beneficiary enrols as a full-time student in a qualifying educational program in a post-secondary educational institution (usually a community college, university or technical/vocational college), he or she becomes eligible to receive the accumulated investment income on the subscriber's RESP contributions together with the grant itself as an Education Assistance Payment (EAP). Students with disabilities may qualify for an EAP for part-time studies. The EAP is taxable in the beneficiary's hands but, as a student typically has little or no other income at this point in the life cycle, he or she pays little or no income tax on the EAP. Contributions are returned to the subscriber as a PSE withdrawal, with the expectation that these withdrawals will also be used to fund the child's education.

2.3 Restrictions

To be eligible for the CESG, the beneficiary must be a Canadian resident at the time the RESP contribution is made and possess a valid Social Insurance Number (SIN). Only contributions made to the RESP before the end of the calendar year in which the beneficiary turns 17 years of age are eligible to receive the grant. Also, to qualify for the grant at age 16 and 17, certain minimum contributions had to have already been made to the RESP for the child before the end of the calendar year in which the child turned 15.[3]

If an RESP beneficiary does not attend a post-secondary institution, there are different options available to the subscriber. If the RESP allows for it, the subscriber may wish to leave the money in the plan for a few years in case the beneficiary changes his or her mind. Another option is that the subscriber can name a sibling under age 21 as a new beneficiary without loss of the grant. If the RESP is a family plan (as described below), another child in the plan could use the grant to a maximum of $7,200.

Once all of the RESP beneficiaries turn 21 years of age and are still not attending a post-secondary institution, and the plan has been in existence for at least ten years, the subscriber may be able to withdraw the income earned in the RESP as an Accumulated Income Payment (AIP). Withdrawal of contributions from an RESP containing a grant when the beneficiary is not enrolled in PSE causes 20 percent of the amount withdrawn to be returned to the Government of Canada as a repayment of the grant paid.

2.4 Types of RESPs

There are three types of RESPs:

- ***Individual family RESPs:*** The designated beneficiaries of this type of RESP, of which there may be one or more, must be related to the subscriber by blood or adoption and be under 21 years of age. If one or more of the beneficiaries does not enter PSE, the grant may be re-distributed to the remaining named beneficiaries who do enter PSE, to a maximum of $7,200 per student. With this type of RESP, the subscriber typically chooses the investments to be made.
- ***Individual non-family RESPs:*** In the case of this type of RESP, subscribers set up a plan for only one beneficiary at a time. The beneficiary does not have to be related to the subscriber, and could even be the subscriber him/herself. The subscriber typically chooses the investments to be made within the RESP.
- ***Group RESPs:*** This type of RESP is offered mainly by scholarship trust companies or foundations. Typically, contributions are returned to the subscriber tax-free to fund the beneficiary's first year in PSE, and then accumulated earnings and the grant are paid out as "scholarships" to the beneficiary in his/her second, third and fourth years in PSE. These "scholarships" are EAPs. Group plans are also known as pooled trust plans

[3] A minimum of $100 in annual RESP contributions had to have been made for the beneficiary in any 4 years before the calendar year in which they turn 16, OR, a minimum of $2,000 of RESP contributions had to have been made for the beneficiary before the calendar year in which they turn 16.

because contributions are pooled with others and invested for the benefit of those eligible for the scholarships. The amount paid is dependent on the number of units or shares the subscriber purchased, the rate of return and the number of students under the plan who pursue PSE.

2.5 Number of Contracts and Amounts Paid

As of December, 2000, there were a total of 1.7 million RESP contracts in existence, worth a total value of $5.9 billion. This represents considerable growth in levels since the implementation of the CESG in 1998 (i.e. there were 700,000 contracts worth $2.4 billion as of December 31, 1997, the day before the CESG came into operation)

The year-over-year growth in RESP contracts has diminished over time, from 46 percent between 1998 and 1999, to 15 percent between 1999 and 2000. Similarly, the annual growth in contributions to RESPs fell from 63 percent between 1997 and 1998, to 24 percent between 1999 and 2000 (CESG, administrative data, as of September, 2001).

Over the first four years of the CESG's existence (1998/99 to 2001/02), close to $1 billion dollars was paid out in grants. A total of $318 million was paid out in 2000/01, the latest complete year for which administrative data were available. Data from the 1999 Survey of Approaches to Educational Planning (SAEP) indicate that 6.5 percent of households made contributions to an RESP. In the case of households with children under 18 years of age, 17.7 percent made RESP contributions.

3. Evaluation Issues and Approach

This section presents the issues examined by the formative evaluation of the CESG and the approach used to undertake the evaluation.

3.1 Evaluation Issues

The overall objective of the formative evaluation is to provide reliable information on program relevance, design and delivery. It also considers the early signs of program impacts. Within these areas, the following eight evaluation issues were addressed:

Relevance:

1. ***Role/Need***: What are Canadians' expectations and savings behaviour regarding the PSE of their children? What is the role/importance of the CESG in financing individuals' PSE?

Design/Delivery:

2. ***Profile of participants***: Who directly and indirectly benefits from the CESG?
3. ***Roles and responsibilities***: Are the roles and responsibilities of the various partners clearly stated and carried out?
4. ***Promotion/Marketing***: To what extent is information on the CESG Program reaching Canadians with school-aged children? Are promoters, trustees and the Government of Canada providing information about the CESG that is of sufficient quality and quantity? Is the Government of Canada getting sufficient visibility?
5. ***Satisfaction with the CESG Program***: How satisfied are subscribers, promoters and trustees with various aspects of the program?
6. ***Constraints***: Have any constraints or directives been identified that impinge on the ability of the program to achieve its objectives?
7. ***Administrative mechanisms***: What administrative mechanisms have been put in place to monitor the CESG Program? Are sufficient data being gathered in order to measure short, medium and long-term impacts, and identify a comparison group?

Impacts:

8. ***Early impacts***: To what extent does the CESG Program provide incentives for parents to save for their children's PSE? Is the program attracting savings for a child's PSE that would not have been made otherwise? To what extent does the *amount* of grant provided meet the needs to prepare for PSE studies?

3.2 Evaluation Methodology

Evaluating programs, such as the CESG, raises a number of challenges. As indicated in the logic model, the CESG is designed to encourage early and sustained participation in RESPs as a way to reduce financial barriers to PSE, increase PSE access and participation, and reduce the financial burden of PSE. Achieving these objectives involves working through groups and individuals beyond the direct influence of the CESG Program. As a result, in individual instances, specific outcomes of the CESG are not easy to track and measure. While these challenges will be more of a consideration for the summative evaluation of the CESG, they are also relevant to the consideration of the early signs of program impacts.

The methodology used to evaluate the CESG recognized these challenges and attempted to address them in a number of ways:

- The evaluation approach emphasized the use of multiple lines of evidence thereby allowing for findings from one approach to be corroborated by findings from other lines of evidence;
- Quantitative and qualitative information was gathered from a range of groups (i.e. RESP subscribers, non-subscribers, promoters/trustees, and informants); and
- A review of program documents, administrative data and the literature on PSE financing and access was undertaken to help develop and inform the methodology and lines of enquiries for the various lines of evidence.

The evaluation approach had certain shortcomings that should be noted. First, inaccuracies in the contact information available for RESP subscribers created difficulties in surveying subscribers. Second the study was not designed to measure program incrementality. Thus, the net impact of CESG on RESP take-up and contributions could not be measured. Third, the small sample size of the survey of promoters/trustees and the informant interviews means that the data/information collected from these sources may not be representative.

Survey of Subscribers

The survey of subscribers gathered information from RESP subscribers on their PSE savings goals and strategies and the role of the CESG in providing an incentive to save for children's future education costs. The survey gathered data on subscribers' socio-demographic characteristics. These survey data elements were supplemented with CESG administrative data. Inaccuracies in contact information available for RESP subscribers made it difficult to develop and conduct the survey of subscribers.

To achieve the desired 2,000 interview completions, a sample of 14,000 RESP subscribers was drawn from the CESG administrative database. Telephone survey interviews were completed with 1,998 subscribers.

Subscribers lost to attrition included those whose telephone number was not in service (1,888) and those who did not respond after repeated attempts (5,217). Based on the

functional sample of 9,370, the completion rate was 21 percent,[4] a rate that is not considered low by standards of financial surveys and surveys conducted for other evaluations. Based on the total number called (11,527, which includes those with telephone numbers not in service), the completion rate would be just 17 percent. Considering a population of some 950,000 subscribers, the sampling error for the survey dataset is ±2 percent. Comparison of the survey results with a database on all subscribers revealed that surveyed subscribers are representative of all subscribers along a number of dimensions, including family structure and income, although they are somewhat older.

Survey of Non-Subscribers

The survey of non-subscribers provided information about the characteristics, attitudes, needs, and savings behaviour of non-RESP subscribers, as well as their reasons for not subscribing to an RESP. It should be noted that the evaluation design did not call for the development of a comparison group using the non-subscribers survey.

In order to achieve the desired 1,000 interview completions, a sample of approximately 17,000 telephone numbers was drawn using a random digit dialing process. Individuals lost to attrition included mostly those whose telephone number was not in service (2,148) and those who did not respond after repeated attempts (2,395). Individuals declared ineligible included those who had RESPs, did not have children or grandchildren less than 18 years of age (4,562) and those eliminated because grandparent and female quotas were filled (437). A total of 1,001 non-subscribers completed telephone interviews.

Based on the functional sample of 14,218, the completion rate was seven percent. Based on the total number called (17,205, including those with numbers not in service), the completion rate would be six percent. Considering cooperative contacts (6,000), the response rate is 42 percent as a proportion of the functional sample. Included in cooperative contacts are those who would have completed an interview but were declared ineligible for the reasons noted. The sampling error for the survey dataset is ±3.1 percent.

Survey of Promoters and Trustees

The survey of promoters and trustees provided information about many aspects of the CESG Program including, the effectiveness of the CESG as a savings incentive, perceptions regarding roles and responsibilities, plus operational, legislative, regulatory and jurisdictional constraints.

Contact information was available for 63 liaison officers of participating promoters and trustees for purposes of the survey. Officers not reached were mainly those with out-of-service telephone numbers. A total of 37 promoters/trustees completed the survey interview out of the functional sample of 47, translating into a completion rate of 79 percent. Based on the total initial sample, the completion rate is 58 percent.

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[4] The response rate based on the number of "cooperative" contacts (which include those who said they had no RESP and who made appointments that were not followed up on because the survey ended before the appointment date) would be 25 percent.

With the small sample size and assuming a population of 63 liaison officers, the sampling error is fairly high at ±10.5 percent. Therefore, the results of this survey must be treated with caution. Moreover, the small sample size means that analysis of survey results by institution type would not have yielded reliable results and therefore was not carried out. Another caution to note is that respondents' knowledge of the CESG and therefore their survey responses may not accurately reflect that of their entire organization.

Analysis of Data from the 1999 Survey of Approaches to Educational Planning (SAEP)

The 1999 SAEP, conducted by Statistics Canada and sponsored by HRDC, collected information on how Canadians prepare their children for PSE. The SAEP data provided the evaluation with the means to profile families, including their savings patterns with respect to RESPs and other investment vehicles. Analysis of the survey data identified the factors that influence the level of RESP savings and that distinguish RESP contributors from non-contributors.

Database Linkages and Analysis

Linking the Longitudinal Analysis Dataset (LAD), based on income tax data, with CESG administrative data provided a socio-demographic profile of subscribers and non-subscribers in 1999. The linked CESG/LAD file was used to profile RESP subscribers, assess CESG's role in financing PSE, and examine early program impacts. A comparison group (non-subscribers) was created to test the influence of variables affecting contributions while controlling for other factors. It should be noted that lower income and single-parent families are over-represented among taxpayers relative to their proportion of all economic families as indicated by SAEP and Census data. This did not affect the use of the data in profiling subscribers and observing patterns over time, but does limit their use in measuring the incidence of RESPs among all Canadians.

Informant Interviews

Semi-structured informant interviews were conducted with eight government representatives (six associated with the program), six researchers/non-government organization representatives, and six financial experts. The 20 interviews conducted gathered information on perceptions, opinions and knowledge of various CESG issues (e.g. operational, legislative, regulatory and jurisdictional constraints, roles and responsibilities, and evidence of short-term impacts).

Document/Literature Review

The document and literature review addressed a variety of evaluation topics including estimates of PSE costs, funding sources available for PSE, and financial assistance provided to parents and students in other countries.

4. Program Relevance

This section addresses program relevance by examining access to PSE and the expectations of Canadians regarding what level of education their children will attain, the cost of the education, and how the costs will be covered. This section also examines how RESPs compare to other savings vehicles.

4.1 PSE Accessibility

The literature review indicates that Canadians have a strong interest in PSE.

Canadians' rate of participation in and attainment of PSE ranks among the highest in the world.[5] This is likely a reflection of the fact that two-thirds of all new employment opportunities require more than a high school diploma (HRDC, 2001).

A number of factors act as potential barriers to PSE participation.

In the literature, a number of inter-related factors have been identified as affecting PSE participation:

- ***High school experience***: Students who prematurely leave secondary school education or perform poorly experience difficulty obtaining acceptance to a PSE institution. They also are less prepared to succeed when learning opportunities are presented later in life (HRDC *et al.*, 2001: 9).
- ***Education costs:*** PSE tuition fees have more than doubled since the early 1980s (Plager, 1999; Bouchard and Zhao, 2000; and Juror and Usher, 2002). The indirect costs of education (supplies, equipment, accommodation, food) have also increased over that time. Research has shown that rising education costs differentially affect low-income groups (Bouchard and Zhao, 2000). Views on the implications of these increases in the cost of PSE education on PSE participation are mixed.
- ***Decision to pursue PSE***: Looker (2001) cites research (Foley, 1999; and Butler,1999) to conclude that key to PSE attendance is being able to convince students of the benefits of attending PSE in terms of higher earnings. Potential reasons for deciding not to participate in PSE include: a desire to "take time off"; indecision; and a simple lack of interest (Foley, 2002).
- ***Finances and socio-economic background***: Foley (2002) finds that high school graduates least likely to pursue PSE include those with a lack of adequate funding. Looker (2002) and Bowlby and McMullen (2002) confirm that one's "financial situation" is a major

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[5] See: "Review of the Canada Student Financial Assistance Programs, 1998-99", HRDC, http://www.hrdc-drhc.gc.ca/hrib/cslp/common/e/publications_e/98-99ANNUALREPORT.PDF, and *Education Indicators at a Glance, Education Indictors, 2001*, Organization for Economic Co-Operation and Development, 2002. http://www1.oecd.org/publications/e-book/9601051E.PDF

barrier to PSE. Usher and Junor (2002) show that students' financial situation predominates as a perceived barrier to attaining the desired level of education among high school graduates. Research further suggests a widening socio-economic gap between individuals attending university and those who do not (Looker and Lowe, 2001; Hemingway, 2001; Anisef *et al.*, 2001, Knighton and Mirza, 2002; and CAUT, 2000). This is confirmed by Junor and Usher (2002) who report that 56 percent of 18 to 21 year olds from the lowest income quartile attended PSE in the period 1993 to 1998, compared to 70 percent of higher income students. Disparities in college participation by parents' income level are not as apparent.

- ***Parents' education***: Butlin (1999) finds that the higher the parents' education is, the more likely they are to encourage their children to attend PSE. Knighton and Mirza (2002) find that one or both parents' having a post-secondary education (particularly a university education) is a powerful predictor of their children's participation in PSE, and in fact reduces the effect of household income on PSE participation.

- ***Distance from university***: Students who live closer to universities are more likely to attend university, compared to those living further away. The latter must bear the added living and moving costs associated with leaving home to attend school (Frenette, 2002). Students living further from universities are more apt to attend local colleges.

Informants were asked to identify the potential risks and barriers to attending PSE. The most frequently identified barrier (by 17 of the 20 informants) was the cost of education. Barriers related to distance, motivation and attitude were each identified by six informants. Three-quarters of the informants identified low-income earners as a population segment facing greater barriers to PSE.

Student loans and debt load rose over the last two decades, and tend to be greater for students from low-income families.

Loans are one means of improving access to PSE and their use rose appreciably over the last two decades. Rising education costs is one reason for this rise (Junor and Usher 2002). However, the rate of growth of new borrowers slowed toward the end of the 1990s, in tandem with the slowing of tuition fee increases.[6] Similarly, while the amount borrowed by students rose over time (Plager, 1999), by the end of the last decade, the average loan amount had actually fallen somewhat from a few years earlier (Junor and Usher 2002). Student loans are larger for students from lower-income families compared to those in higher-income groups, both in relative terms (CAUT, 2000) and absolute (Frenette 2002).

The average level of student debt rose steeply over the 1980s and 1990s (Junor and Usher 2002). However, Finnie (2001: 13 and 15) reports that two years after graduation, individuals had paid back an average of 40 percent of their student loan debts, and only 10 to 15 percent of all graduates reported difficulties with re-payments. Still, the incidence of student indebtedness is much higher among students from the lowest income households.

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[6] See http://www.hrdc-drhc.gc.ca/student_loans/e/statistics/borrowers00.html for more information.

4.2 Expectations for PSE Participation

Both subscribers and non-subscribers have high expectations for the education of their children, particularly in the case of parents with higher educational attainment and incomes.

Both subscribers and non-subscribers surveyed have high expectations for the education of their children, with most (96 percent) subscribers indicating that it is likely their beneficiary would attend PSE (3 to 7 on a 7-point scale) and most (90 percent) non-subscribers indicating that they expect their child to attend PSE[7] (as shown in Table 4.1). This finding is corroborated by the 1999 SAEP analysis results, which indicate that 86 percent of the parents who expect their children to attend PSE.

Table 4.1
Expectations of Child's PSE Participation and Level: Percentage Distribution of RESP Subscribers and Non-Subscribers

	Subscribers	Non-Subscribers
1. Expect Beneficiary/Child to Go to PSE*	*(n=1998)*	*(n=1001)*
Very likely (6,7)	78	90
Somewhat likely (3-5)	18	
Not likely (1,2)	1	3
Non-response	*4*	*7*
2. Level of PSE Beneficiary/Child Likely to Pursue*	*(n=1711)*	*(n=730)*
University	78	60
College (community/private college, technical institute, CEGEP)	29	43
Trades/vocational school	8	10
Non-response	*5*	*12*

* Subscribers asked to indicate likelihood on 7-point scale, ranging from 1=not likely, to 7=very likely, while non-subscribers were simply asked to indicate yes or no.

** Responses are for *parents* who did not respond negatively to the previous question on PSE expectations (i.e., subscribers who responded 3-7, and non-subscribers who responded yes or "don't know"). Respondents with more than one beneficiary/child could indicate different levels of PSE, so percentages add to greater than 100 percent.

Sources: Survey of Subscribers and Survey of Non-Subscribers 2002

With respect to the *level* of PSE, however, expectations differ between subscribers and non-subscribers. Parents[8] are most likely to expect their children to attend university, but a greater proportion of subscribers feel this way than non-subscribers (78 percent versus 60 percent) (as shown in Table 4.1). Non-subscribers were less likely to respond to the question on children's future PSE than subscribers (12 percent and 5 percent respectively did not respond to the question).

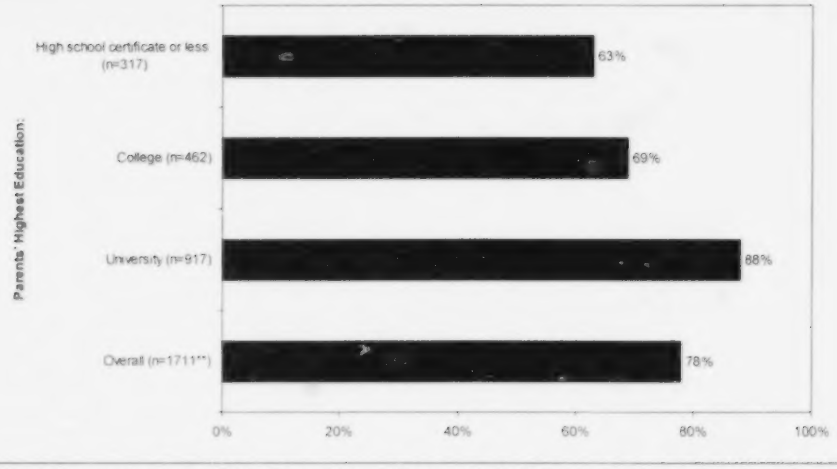
For both subscribers and non-subscribers, the characteristics associated with parents' higher PSE expectations for their children include having a higher education themselves and earning higher incomes. As indicated in Exhibit 4.1, the proportion of subscribers expecting their beneficiaries to attend university is considerably higher among those who themselves have completed university. The fact that subscribers have higher PSE expectations than non-subscribers is likely related to the fact that subscribers are more

[7] Note that the question on the subscribers survey was changed from the non-subscribers survey in the interests of obtaining more useful information than a simple yes/no answer.

[8] The question in the subscribers survey was asked of parents only. But results in the non-subscribers survey indicate that a similar proportion of Canadians (not just parents) have these expectations.

likely to have attended university than non-subscribers. For example, 47 percent of respondents in the subscriber survey had attained university or professional certification of some kind, whereas only 24 percent of respondents in the non-subscriber survey reported this level of educational attainment.

Chart 4.1
Percentage of Parents* Expecting University for their Beneficiaries, by Parents' Highest Education Level



*Among parents expecting any PSE for their children. Responses included trade school, college, and university.

**Number does not add up to numbers at different education levels because not all parents answered the question on their education.

Survey of Subscribers

4.3 Expected Cost of PSE

Although some subscribers and non-subscribers have fairly realistic expectations of the cost of PSE, there appears to be uncertainty among a large proportion of both groups.

Subscribers and non-subscribers who identified themselves as parents were asked what they thought the total annual per-child cost of PSE (including tuition, books and accommodation) would be when the child enters PSE. Forty-four percent of subscribers and 32 percent of non-subscribers expect the cost to be in the range of $10,000 to $25,000 per year per child. Evidence indicates that the average cost of attending a PSE institution is currently about $12,000 a year.[9] Higher proportions of non-subscribers than subscribers expected the cost to be under $5,000 per year (27 percent and 18 percent respectively). This is likely attributable to the fact that non-subscribers are more likely to expect their children to attend college than subscribers (as shown in Table 4.1). Large proportions of both groups (18 percent of subscribers, and 26 percent of non-subscribers) could not or did not provide a response to the survey question.

[9] See the Student Financial Planner on the *canlearn interactive* page of the National Student Loans Service Centre website, HRDC: http://www.canlearn.ca/financing/planner/clindex.cfm?langcanlearn=EN

The expected cost of PSE rises with the income and education level of individuals in both groups. The expected cost was also higher for parents of younger children, reflecting the longer period over which tuition fees could be expected to rise. Quebec residents generally provided lower estimates of the annual cost of PSE, reflecting that province's publicly funded college system (CEGEP) and lower university tuition fees for Quebec residents.

4.4 Saving for and Covering PSE Costs

Less than half of Canadian households with children under the age of 18 had saved for the future education of their children, with some groups putting aside more than others.

Results from the SAEP survey indicate that in 1999, 17 percent of households, and 45 percent of those with children under 18 years of age, had savings for PSE. The potential for an increase to occur in the percentage of households saving for PSE is plausible in light of the fact that 30 percent of the non-subscribers who are not saving now expect to save in the future.[10]

Multivariate analysis based on SAEP data indicates that the incidence of savings for PSE is higher for those with a university education (compared to those with less than a high school certificate), those with annual household income of $80,000 or more (compared to those with less than $20,000), and residents of the Atlantic and the Prairie Provinces (compared to Ontario residents).

Subscribers are putting aside more for their children's PSE than non-subscribers (as shown in Table 4.2). In 2001, 50 percent of non-subscribers put aside $1,000 or less and only nine percent put aside over $5,000, compared to 26 percent and 21 percent, respectively, in the case of subscribers.[11] The difference is likely due to the fact that subscribers expect their children to attain higher levels of PSE, which would involve higher costs. Not surprisingly, higher-income Canadians put aside more than lower-income Canadians. About one quarter (23 percent) of non-subscribers and 8 percent of subscribers did not provide a response to the question about how much they put aside.

Most subscribers and non-subscribers do not expect their savings to cover all of the cost of their children's PSE, and there appears to be uncertainty and misconceptions in this area among both groups.

Both RESP subscribers and non-subscribers indicated that they expect to cover just over half (average = 54 and 57 percent, respectively) of the costs of their children's education, and just over one-quarter (24 and 27 percent, respectively) expect to cover *all* of the costs (as shown in Table 4.2).[12]

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10 Results from the 2002 SAEP were not available to indicate what the current incidence of PSE savings is. Results from the evaluation non-subscriber survey indicate that about 34 percent of non-subscribing parents have PSE savings of any kind in 2002. But, the proportion of all parents (RESP subscribers and non-subscribers) with PSE savings cannot be computed for 2002 because the proportion of parents with RESPs for 2002 is not known.

11 For subscribers, the amount contributed was taken from the CESG administrative data; otherwise, the reported amount in the survey was used.

12 All non-subscribers were originally asked this question, but results shown here are for parents only, to be consistent with the subscriber survey which asked only parents this question.

There is a large amount of uncertainty about how much one's savings will cover the cost of their children's PSE. This is particularly true among non-subscribers: 22 percent of non-subscribers could not or did not respond to the question, compared to 13 percent of subscribers.

Parents expect their children to cover a large part of PSE costs not covered by their savings. Subscribers expect their child(ren) to make up the difference mostly through a student loan or scholarship/bursary (41 percent and 39 percent, respectively). Non-subscribers expect their children "to pay" (presumably using their own funds) or to obtain a student loan (32 percent and 26 percent, respectively). The expectation that students will make up the difference between parents' savings and the actual cost of PSE was most prevalent in households with low family income. The fact that subscribers are more likely to expect their children to obtain student loans than non-subscribers is counter-intuitive to the fact that subscribers have higher incomes than non-subscribers and that government student loans are not available to students from higher-income households.

Table 4.2
Amount of Savings for PSE and Proportion of PSE Costs Expected to be Covered through Savings Percentage Distribution of RESP Subscribers and Non-Subscribers

	Subscribers	Non-Subscribers
1. Savings for Child's PSE Over Last Year by All Means*	*(n=1,569)*	*(n=466)*
$1-$500	11	22
$501-$1,000	15	28
$1,001-$2,000	21	24
$2,001-$5,000	33	18
$5,001 or more	21	9
2. Percentage of PSE Costs Expect to Cover by Savings **	*(n=1,727)*	*(n=460)*
<25%	24	10
25-49%	14	15
50-74%	24	37
75-99%	14	10
All (100%)	25	27
Mean percentage	*54%*	*57%*

* Among those with any PSE savings, excluding non responses to the question, which represented 8 percent of subscribers using other means and 23 percent of non-subscribers.

** Parents only (among those with PSE savings), excluding non-responses to the question.

Sources: Survey of Subscribers and Survey of Non-Subscribers 2002.

Finally, most informants said there is a need for government involvement to encourage Canadians to save for the PSE of their children. However, about half of the informants (including three who said the government should *not* be involved at all) said that saving for PSE should also be the responsibility of individuals, since they benefit from PSE (as does the economy).

4.5 Role of RESPs in Savings for PSE

The CESG is a key program in Canada designed to encourage adults to save for the future PSE of children through a combination of tax-sheltered income-earning savings and grant.

In Canada, there is a range of devices enabling PSE participation, including repayable government and private student loans and study grants, and non-repayable government and private scholarships, grants and bursaries. These mechanisms are directed at *youth*, typically in disadvantaged positions (e.g., Canada Study Grants and interest relief under the Canada Student Loan Program), and seek to facilitate their participation in PSE *at the time of entry* or assist in debt repayment after completion of PSE. However, none of these mechanisms duplicate the CESG and RESPs which encourage *adults* to save for the *future* PSE of children through a combination of tax-sheltered income-earning savings and a 20 percent grant. Informants were unable to identify other existing programs and/or mechanisms that would be more effective/efficient at achieving the program's objectives.

The evidence indicates that parents saving for their children's PSE favour the use of RESPs, although there is room for further take-up among parents.

Results from analysis of the 1999 SAEP data indicate that 6.5 percent of Canadian households had savings in an RESP in 1999. For parents with children under 18 years of age, the rate was 17.7 percent.[13]

RESPs appear to be most favoured as a means of saving for PSE among parents who save for their children's PSE. Research based on the SAEP indicates that parents who saved for their children's PSE were most likely to use RESPs or in-trust accounts: 40 percent of children have parents who saved using RESPs and 35 percent of children have parents who saved using in-trust accounts (Statistics Canada 1999).

According to the evaluation survey, non-subscribers saving or expecting to save for the PSE of children indicated that regular savings accounts (32 percent) and RESPs (25 percent) are the predominant savings vehicles they are/will be using (as shown in Table 4.3).[14] Among non-subscribers who were aware of the CESG, RESPs rise in prominence and savings accounts decline (i.e. both were mentioned by 29 percent of respondents as the savings vehicle they use or expect to use to cover PSE costs). Generally speaking, savings accounts are preferred by those in lower education and income groups, RESPs are preferred by the university-educated, and mutual funds are preferred by those in higher-income groups. Non-subscribers (19 percent) are more likely to use RRSPs to save for children's PSE than subscribers (7 percent).

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[13] According to the linked CESG/LAD file, 6.2 percent of taxpayer parents of children under 19 years of age contributed to an RESP in 1999. The large difference between this estimate and that based on SAEP data (17.7 percent) are associated with the facts that taxpayer data are individual-based and aggregated to a family level if data permit; also, single parents and lower income households, which are less likely to contribute to RESPs, are over-represented in the CESG/LAD database.

[14] It should be noted that many of these savings vehicles are not, of course, mutually exclusive (e.g., contributions to RESPs could be invested in mutual funds) but it was determined that it would be difficult in a telephone survey to get respondents to distinguish between vehicles being used within RESPs and those used outside RESPs.

The survey evidence indicates that few subscribers use other means to save for children's' PSE and, among those who do, RESPs are seen by the majority as the best way of saving for PSE. About a third (35 percent) of subscribers use or expect to use other vehicles to save for their beneficiary's(ies') PSE in addition to RESPs (as shown in Table 4.3). Subscribers most frequently supplement their RESPs with mutual/segregated funds and regular savings accounts (28 percent and 27 percent, respectively). Note that few (6 to 7 percent) mentioned RRSPs, stocks, and registered scholarship trusts and in-trust accounts.[15] Users of supplementary vehicles are most prevalent in higher income groups, as would be expected. Subscribers using other means expect their RESP(s) to cover four times the proportion of the cost covered by other means. The largest proportion of subscribers (72 percent) ranked RESPs first in importance in covering PSE costs compared to other savings vehicles used[16] (as shown in Table 4.3). Next in importance were mutual/segregated funds, the first choice of just one-third of subscribers (34 percent).

Table 4.3
Savings Vehicles Being Used or Expecting to be Used for Children's PSE: Percentage of RESP Subscribers and Non-Subscribers

Saving Products/Vehicles	Subscribers	Non-Subscribers
1. Main Products/Vehicles Use/Expect to Use*	*(n=835)*	*(n=670)*
RESPs	100	25
Mutual fund/segregated funds	28	16
Regular savings accounts	27	32
Bonds	13	10
Term deposits/GICs	13	8
RRSPs	7	19
Stocks/shares	7	4
Unregistered scholarship trusts	6	7
In-trust accounts	5	9
2. Products/Vehicles Ranked Most Important in Covering PSE Costs*		
RESPs (n=688)	72	
Mutual/segregated funds (n=210)	34	
RRSPs (n=43)	24	
Stocks/shares (n=56)	24	
Regular savings accounts (n=185)	18	
Bonds (n=101)	17	
Term deposits/GICs (n=104)	15	

* Among subscribers using supplementary means to save for children's PSE and non-subscribers using or expecting to use any means. Percentages add to more than 100 percent because respondent could provide more than one response. Top nine responses for subscribers shown (5 percent or more of responses).

** Only subscribers who mentioned the specific product were asked to rank this product among all products they mentioned (including RESPs). Non-subscribers were not asked to rank the vehicles.

Sources: Survey of Subscribers and Survey of Non-Subscribers 2002.

[15] Note that the in-trust accounts were more prominently mentioned in the 1999 SAEP, as cited above.

[16] All subscribers who mentioned the respective savings vehicle were asked to rank all vehicles mentioned (including RESPs), in terms of importance in covering PSE costs. In a sense, this underestimates the proportion saying RESPs are first, as those using *only* RESPs were excluded from these computations and they by definition would have ranked RESPs first.

5. Profile of Subscribers

This section provides a profile of subscribers, examines the characteristics of their RESPs and beneficiaries, and looks at the levels of grants provided under the CESG.

5.1 Socio-Demographic Traits of RESP Subscribers

RESP subscribers are compared to non-subscribers based on results of the RESP subscriber survey and the non-subscriber survey, supplemented by the 1999 SAEP data and the CESG/LAD1999 administrative data,[17] noting again that the latter data are for taxpayers who are not necessarily representative of all households.

Multivariate analysis is also presented to corroborate key findings from the surveys. This type of analysis permits identification of the unique role played by a particular variable on RESP contributions, while controlling for the effect of other variables. The multivariate analyses uses the SAEP 1999 data[18] and CESG/LAD 1999 administrative data.[19] The focus in this section is on RESP subscribers and non-subscribers who are parents:

- The subscriber survey data indicate that most subscribers are parents (87 percent), only five percent are grandparents, and six percent are unrelated to their beneficiary; and
- The non-subscriber survey included parents and grandparents.[20] Grandparents are over-represented because the relative proportions of grandparents and parents in the non-subscriber population were not known at the time of the survey (so quotas could not be set).

The analysis of subscriber and non-subscriber survey data presented here is limited to parents,[21] to maximize the comparability of findings from the two surveys.

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17 Data provided in the merged dataset (i.e. CESG administrative data linked to 1999 taxpayer data) did not permit the computation of annual RESP incidence rates for population sub-groups (e.g., in different income categories), just the proportion contributing to an RESP at any time over the 1998-2001 period.

18 It should be noted that when conducting multivariate analysis of the SAEP data, a wide range of different factors were included in the model used to explain parents' decision to save for an RESP. The model incorporated not only socio-demographic characteristics such as parents' education and household income, but also the child's characteristics (age, gender, and performance at school), parental expectations and attitudes regarding child's education, and parental awareness and attitudes with respect to financing PSE.

19 It should be noted that, although the LAD/CESG database had basic household characteristics and extensive information on income over the last five years, it lacked vital information such as parents' education and parental expectations and attitudes regarding their child's education.

20 It was determined that it would be difficult to find non-subscribers who would be the equivalent to subscribers who are not related to their beneficiaries by blood (e.g., aunts, uncles, godparents).

21 While the exclusion of non-parents decreased the average age of non-subscribers by about five years and reduced the size of the samples of subscribers and non-subscribers by 13 percent (n=1755) and 25 percent (n=755) respectively, it had little effect on overall distributions of other socio-demographic characteristics such as income, education, region and equity group status.

Perceived Targets of the Program

The general view among informants is that the CESG is targeted to all Canadians.

The informant analysis indicates that five (out of six) program officials and eight (out of 12) non-government financial or research experts consider the CESG to be directed to all Canadians. This corresponds to what the documentation indicates is the target of the program. Five of the 20 informants suggested the program is directed at low to middle-income Canadians (i.e. one program official, two non-program government officials, and two financial experts).

Just over half of the informants (11 of 20) believe the program is benefiting those it is intending to benefit to a large extent (i.e. responding with 6 or 7 on a 7-point rating scale rating of the program, where 1= to no extent and 7= to a great extent).

Parents' Age and Family Composition

Parents who are RESP subscribers are more likely to be age 35 or older, in two-parent families, and with two children.

Comparing subscribers to non-subscribers indicates that subscribers are somewhat older (37 percent versus 24 percent are 45 years and older), as shown in Table 5.1. Parents contributing to RESPs are more likely to be married or common-law couples (90 percent) compared to their counterparts who do not save using RESPs (74 percent). Contributing parents are more likely to have two children, while non-subscribers are more likely to have one child.

These findings are generally confirmed by the merged CESG/LAD data. RESP take-up rates (the proportion of all 1999 taxpayers who contributed to RESPs between 1998 and 2001) are higher among married/common-law parents compared to single parents and in families with two children compared to those with one child or three or more children (as shown in Table 5.1). Also, the take-up rate peaks in the 25 to 44 age bracket. Data not shown indicate that the take-up rate falls to 7.1 percent for the 54 to 64 age group.

These findings are also confirmed by the multivariate analysis based on the SAEP data. After controlling for other factors, the SAEP analysis indicates that being a dual parent, having two children, and being older than 35 years of age increases the likelihood of RESP savings. On the other hand, heading a larger family, especially with more than three children, decreases the likelihood of RESP contributions.

Table 5.1
Profile of Subscribers and Non-subscribers and RESP Take-Up Rate, Percentage by Age and Family Characteristics, Parents Only

Family Characteristic	Subscribers 2002	Non-Subscribers 2002	Take-up Rate 1998-2001*
Overall	100	100	8.8
1. Age of Parent (years) **			
Under 25	0	3	0.8
25-44	60	73	11.5
45-64	37	24	10.6
65+	1	0	3.0
Mean age (years)	*42.4*	*39.4*	
2. Household "Structure"			
Married/common-law couple	90	74	12.5
Single	9	25	3.2
3. Percentage with Different Numbers of Children*			
One	20	43	7.8
Two	54	38	10.2
Three or more	25	17	8.4
Mean number of children	*2.1*	*1.9*	

* Indicates the proportion of the population of 1999 taxpayers who contributed to an RESP at any time from 1998 to 2001. Please note that taxpayers' data over-represent single parents and low-income earners.

** Mean age if two parents in the merged CESG/LAD data.

*** Subscriber survey parents were asked to report the number of children over 18 years of age. The distribution presented here excludes these children (nine percent), to make it consistent with the non-subscriber survey which did not request information on children in this age category.

Sources: Survey of Subscribers, parents only (n=1,730) 2002; Survey of Non-Subscribers 2002, parents only (n=755); and merged CESG/LAD Data, taxpayer parents only (n=1,036,590) 1999.

Characteristics of Children

Children more likely to have parents contributing to an RESP on their behalf are younger, performing well in school and expected to attend university.

Results of analysis of SAEP data indicate that the characteristics of the child play a role in RESP contributions.[22] The SAEP data indicate that the percentage of children who have RESP savings on their behalf falls with their age (i.e. from 19 percent for children under five years of age, to 10 percent for those 15 years and over).

The multivariate analysis confirms this finding. Controlling for the influence of other variables, the likelihood of a child having parents contributing to a RESP for him/her declines with the child's age. The multivariate analysis also indicates the powerful role played by other child-based characteristics, particularly parental aspirations for the child's future PSE and the child's performance in school. Specifically, the higher the level of education expected of the child and the better the child has performed in school, the greater the likelihood of RESP contributions.

[22] The evaluation survey of subscribers asked only about the age of RESP beneficiaries, not the age of all children in a family, whereas the non-subscribers survey asked about the age of all children. This is why children's age is not compared between subscribers and non-subscribers. The age of beneficiaries is considered in the next section on beneficiaries.

Key Factors Affecting CESG Take-Up

Key factors affecting take-up include parent's education, age and school aspirations for their children, the child's performance in school, and province of residence. RESP contributions rise with income and are significantly lower than the population share for parents with low household income and higher for those with high household income.

Multivariate analysis identified certain characteristics of subscribers as being influential in predicting RESP take-up, after controlling for the influence of other factors. Among the strongest predictors of whether or not parents will contribute to an RESP on behalf of the child are the child's school performance and their parents' expectations that they will attend university. Other predictive factors include parents' education, their age (over 35 years) and *not* living in Quebec. The lower RESP take-up rate in Quebec is likely attributable to the province publicly funded college system (CEGEP) and relatively low university tuition fees for Quebec residents. The effect of income, although significant, is weaker than these other factors.

As shown in Table 5.2 below, the share of RESP contributing households during the period of 1998 to 2001, was very low for households with $20,000 or less of pre-tax income (8.6 percent) in comparison to their share of all households (33.6 percent). Households in the $20,000 - $39,999 income category have a share of RESP contribution that is slightly less than their share of households while households in the $40,000 - $79,999 categories have a modestly higher share of RESP contribution than their share of all households. For households above $80,000, their share of RESP contributing households is much higher (36.2 percent) than their share of all households (16.5 percent).

The foregoing analysis indicates the importance in a summative evaluation to undertake segmented analysis of the factors affecting take-up for various characteristics of subscribers (e.g. education, age, income). This analysis would possibly reveal important factors that predict RESP take-up among different subscriber groups.

Table 5.2
Percentage Distribution of Total Households, By Income Pre-Tax and Including Transfers, with Children Under 19 Years of Age

Income Category ($)	Percentage of Households by Income Category *	Percentage of RESP Subscribers by Income Category**
< 20K	33.6	8.6
20K – 39,999	20.4	16.5
40K – 59,999	16.8	19.8
60K – 79,999	12.7	18.9
≥ 80K	16.5	36.2

* The percentage distribution of total Canadian households with children under 19 years of age by pre-tax (including transfers) income. Note that taxpayers' data over-represent single parents and low-income earners.

** Contributed to an RESP at any time over the 1998-2001 period.

Source: CESG/LAD merged data, Statistics Canada.

Parents' Education

RESP subscribers tend to have much higher educational attainment levels than non-subscribers.

The survey data show that 81 percent of parents who save using RESPs have some form of PSE, with almost half (47 percent) having a university degree. In contrast, 64 percent of non-subscriber parents have some form of PSE, with 25 percent having a university degree (as shown in Table 5.3).

Once again, the SAEP data (both descriptive and multivariate analysis) confirm the survey results. Parents with a university education were considerably more likely to save using RESPs compared to parents who save for their child's PSE using other means and those who do not save for their child's PSE at all.

The multivariate analysis indicates that the role played by parents' education in the decision to have an RESP is stronger than the influence of the parents' income, except when they are in the lowest income category. In other words, even within different income groups (except the lowest income category), the higher the level of education the parents have attained, the greater the likelihood the parent has RESPs on behalf of their children.

Location

The RESP take-up rate is higher for parents living in Ontario and British Columbia, and lower for parents living in Quebec.

The survey data also indicate regional differences between RESP contributors and non-contributors (as shown in Table 5.3). Residents from Ontario represent a much higher proportion of subscribers than non-subscribers (42 percent and 31 percent respectively), while Quebec parents represent a much lower proportion of subscribers than non-subscribers (16 percent and 26 percent respectively).

The same patterns are observed in results based on the SAEP and CESG/LAD data. Table 5.3 shows that RESP take-up is lower in Quebec (6.6 percent) and higher in Ontario (10.1 percent) and British Columbia (10.2 percent). Quebec's effect on the incidence of RESP contributions is further confirmed by multivariate analyses.

The lower RESP take-up rate in Quebec is likely a reflection of the province's publicly funded college system and relatively low university tuition fees.

Parents living in urban areas are more likely to contribute to RESPs than those living in rural areas.

Other results based on the tax data indicate that urban residents are more likely to contribute to RESPs than rural residents (9.8 percent and 7.0 percent respectively). In the multivariate analysis, the urban factor maintains its effect on the likelihood of having an RESP, when controlling for the effect of income characteristics, but disappears when parents' education and their attitudes towards their child's future PSE are taken into account.

Table 5.3
Profile of Subscribers and Non-Subscribers and RESP Take-Up Rate, Percentage According to Socio-demographic Characteristics, Parents Only

Socio-demographic Characteristic	RESP Subscribers 2002	Non-Subscribers 2002	RESP Take-up Rate 1998-2001*
Overall	**100**	**100**	**8.8**
1. Approximate Household Income from All Sources ($)			
< 20,000	3	15	2.3
20,000-39,999	13	18	7.2
40,000-59,999	19	17	10.4
60,000-79,999	19	12	13.1
80,000-99,999	15	7	13.2
100,000+	23	11	22.2
*Refused to respond/Non-response***	9	20	
2. Highest Level of Schooling			
Some HS	3	12	–
Graduated from HS	16	23	–
College, trade certification	27	32	–
Some university	7	7	–
University degree, graduate degree, professional certification	47	25	–
3. Region			
Atlantic	9	9	8.1
Ontario	42	31	10.1
Prairies	17	20	8.4
Quebec	16	26	6.6
BC	15	14	10.2
4. Equity Group			
Visible minority	11	6	–
Aboriginal	1	3	–
Person with disability	2	1	10.0
New Canadian/immigrant	4	4	16.1

* Indicates the proportion of the population of 1999 taxpayers who contributed to an RESP at any time from 1998 to 2001. Please note that taxpayers' data over-represent single parents and low-income earners.

– Information on education and equity status not available in the merged CESG/LAD data.

** Similar patterns of income distribution are found when non-responses are excluded from the analysis.

Sources: Survey of Subscribers 2002, parents only (n=1,730); Survey of Non-Subscribers 2002, parents only (n=755); and merged CESG/LAD data, taxpayer parents only (n=1,036,590).

Equity Group

Eleven percent of RESP subscribers consider themselves to be members of equity groups, compared to six percent of non-subscribers.

The survey evidence indicates the proportion of respondents considering themselves to be a member of visible minority is somewhat higher (11 percent) among RESP subscribers than non-subscribers (6 percent), as shown in Table 5.3. There is little difference in Aboriginal status between the two groups. The CESG/LAD data indicate considerably higher RESP take-up among immigrants (16.1 percent) and somewhat higher take-up among those with a disability (10.1 percent) compared to Canadians overall.

Type of Income/Investment

The RESP take-up rate is higher for parents with investment and/or rental income and those donating to charities.

Other analysis based on the CESG/LAD data indicates that the RESP take-up rate among those with different sources of investment income is higher than those without such income. This suggests that contributors to RESPs generally invest in the market. The RESP take-up rate is much higher for those with interest, rental and dividend income compared to the overall incidence. It is also higher for those who make RRSP contributions, as well as those who make charitable donations. While Canadians in receipt of a public pension (CPP/QPP) are much less likely to contribute to an RESP, Canadians receiving pensions from their employer (pensions or superannuation) are slightly more likely to be contributors.

Multivariate analysis of RESP incidence based on the CESG/LAD database confirmed that having investment and rental income and donating to a charity play an important positive role in the decision to contribute to RESPs. Total household income loses much of its explanatory power when controlling for the effect of all explanatory variables included in the model, including family type (two parents versus single parent), not living in Quebec, and, to a lesser degree, parents' age.

5.2 Characteristics of Plans and Beneficiaries

In this section a number of basic characteristics of plans and beneficiaries are presented. Evidence is taken from the Survey of Subscribers and the CESG administrative data. The evidence is presented for all subscribers (i.e. parents and non-parents).

RESP subscribers have been contributing to RESPs for an average of six years. Almost all have one or two plans and deal with only one promoter or trustee (financial institution). Most have one or two beneficiaries. Average contributions to group plans are the lowest among the three types of plans, reflecting the lower income of those holding these types of plans.

Duration: On average, subscribers have been saving using RESPs for six years. Almost one-half (47 percent) have been saving for 3 to 5 years, with almost two-thirds saving for five years or less, and 15 percent have been saving for longer than 10 years. Parents have been saving longer than non-parents. The proportion of subscribers saving for a relatively short period of time falls with the number of children, and with the age of the parents and the children. The proportion saving for a longer period of time is higher for university-educated and higher income subscribers, for subscribers using other savings vehicles for PSE, and for family plan holders.

Number of plans: Two-thirds of RESP subscribers have only one plan, and another one-quarter (24 percent) have two plans. The remaining 10 percent have three or more plans. On average subscribers have 1.6 plans each.

Type of plan: Table 5.4 indicates that almost half (45 percent) of all plans are individual family plans. One-fifth (19 percent) are individual non-family plans. The survey of RESP subscribers also indicates the following:

- *Individual non-family plans* are more likely to be found among residents of Quebec and households with older children;
- *Group plans* are more likely to be found in Quebec and the Atlantic provinces, and among those with lower levels of education and income; and
- *Individual family plans* are more common among residents of the Prairies and Ontario, university degree holders, and those with a total household income of $120,000 or more.

Type of promoter/trustee (financial institution): Table 5.4 indicates that there are three main types of financial institutions among RESP promoters/trustees: banks (33 percent); scholarship foundations (30 percent); and investment management companies (21 percent). Other results indicate that banks and fund management companies are favoured among holders of individual non-family and family plans. Not surprisingly, scholarship foundations are greatly favoured among the promoters/trustees of group plans (otherwise known as scholarship funds).

Number of promoters/trustees: 91 percent of subscribers deal with only one promoter/trustee (based on the administrative data).

Number of beneficiaries: 89 percent of subscribers have one or two beneficiaries (i.e. 53 percent of subscribers have one beneficiary and 36 percent have two beneficiaries).

- It is interesting to note that parents do not always establish RESPs for all their children. Forty-one percent of parents with two children have one RESP beneficiary (average=1.43 beneficiaries), and only 32 percent of those with three or more children have three or more beneficiaries (average=1.85 beneficiaries).
- Children without RESPs in families where siblings have RESPs would likely include those recently born or already in PSE, as well as those who may not be performing well in school and/or those whom the parent does not expect to go to PSE.

Table 5.4
RESP and Promoter/Trustee Type Percentage Distribution by Type of Plan and Promoter/Trustee

RESP/Promoter/Trustee Type	Percentage
1. RESP Type (by plan*, n= 596,109)	
Individual non-family	19
Group non-family	36
Individual family	45
2. Promoter/Trustee (Financial Institution) Type (by subscriber, n=1,998)	
Bank	33
Scholarship foundation/fund	30
Fund/investment management company	21
Credit union	4
Trust company	4
Brokerage company	4
Insurance company	1
Other	1
Non-response	*1*

* Percentages add to more than 100 percent because subscribers can have beneficiaries in multiple age categories.

Sources: Survey of Subscribers and CESG Administrative Data.

Age of beneficiaries: The survey data indicate that the proportion of subscribers (parents and grandparents) with children in different age groups rises from eight percent for subscribers with children two years and younger; is 17 percent in the 3 to 4 and 18 percent in the 5 to 6 year age categories; is 19 percent to 21 percent in the 7 to 9, 10 to 12 and 13 to 15 year age categories; falls to 14 percent in the 16 to 17 age group; and is nine percent of those with children in the 18 years and over age group.

- SAEP data corroborate the drop off in RESP incidence from age 15 and on. The SAEP data further indicate that the proportion of children with RESP savings rises somewhat between the ages of one and two. This suggests that parents wait for a period of time after birth, possibly to apply for the child's SIN, which is a requirement for establishing an RESP for a child.
- The administrative data indicate that the average age of beneficiaries is 10.3 years old and varies slightly across all plans, with beneficiaries of individual non-family plans being the oldest (10.7 years old) and their counterparts with group plans being the youngest (9.5 years old).

5.3 Grant and RESP Contribution Levels

The evidence suggests that the introduction of the CESG increased RESP contribution levels.

Table 5.5 presents data on grants paid and RESP contributions at the subscriber level (i.e., across all plans held by a subscriber) based on CESG administrative data.[23] The results cover the years 1998 to 2001, with the latter representing only a partial year of data. Table 5.5 indicates that average assisted contributions (attracting a grant) rose steeply from the initial year of the program (1998) to the second year when the program was fully operational (rising from $1,640 to $2,105). This suggests the implementation of the CESG had an impact on contribution levels, although average contributions fell somewhat to $1,945 in 2000. The average grant allotted in the last complete year for which CESG data were available (2000) was $389 per subscriber. The time series information on grants paid mirrors that of RESP contributions, since the grant paid is equal to 20 percent of the contribution.

The foregoing provides evidence of the potential that CESG led to an increase in savings of PSE. However, the study methodology does not allow for a determination of the extent to which increases in contribution levels are attributable to the program.

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[23] Based only on plans where non-zero contributions were made. This computation does not control for the number of plans a subscriber might hold (e.g. contribution levels would be expected to rise with the number of plans). The fact that subscribers could have several plans per beneficiary renders the computation of per-plan contributions difficult and the results difficult to interpret.

Table 5.5
Mean RESP Contributions and CESG Grants* by Year, and by Type of Plan

Level of RESP Contributions and CESG Grant	Mean ($)
1. Mean Total Assisted** RESP Contributions, by Year	
1998	1,640
1999	2,105
2000	1,945
2001, up to July	1,190
2. Mean Canada Education Savings Grant, by Year	
1998	328
1999	421
2000	389
2001, up to July	238
3. Mean Total RESP Contributions per Subscriber, by Plan Type, 2000	
Individual non-family	2,140
Group non-family	1,037
Individual family	2,840
Subscribers multiple plans that are different.***	1,967

* Means are *across all plans held by subscribers* (not by plan), and exclude subscribers not contributing.

** "Assisted" amounts are RESP contributions for which a Grant was paid.

*** Subscribers who could not be assigned to a plan type because they had multiple plans of different types.

n=373,568 subscribers.

Source: CESG Administrative Database.

In 2000, the average contributions per subscriber were lowest (by a large amount) for those who held group plans ($1,037), reflecting the fact that the incidence of this type of plan is highest in low-income groups. The opposite is true for individual family plans ($2,840), which are most likely to be found in higher income groups.

Subscribers from Ontario were, on average, the biggest contributors in 2000 ($2,096), although only somewhat higher than the average contribution of residents of the Prairies and British Columbia. Subscribers in the Atlantic Provinces contributed the least on average ($1,445), with Quebec at about the same average ($1,576).

6. Design and Delivery

This section examines the issues of program promotion and subscriber awareness, roles and responsibilities, and satisfaction with program delivery. It also examines administrative data systems, constraints on delivery, and alternative approaches to design and delivery in other countries.

It should be noted that aggregation/presentation of results based on scaled questions (where respondent was asked to provide his/her response on a scale from 1 to 7) depends on the type of scale. As a rule, scales ranging from low to high (e.g., from 1=to no extent, to 7=to a great extent) are aggregated as 1,2 (=to no/little extent); 3,4,5 (=to some extent); and 6,7 (=to a large extent). On the other hand, scales ranging from negative to positive (e.g., from 1=extremely dissatisfied up to 7=extremely satisfied, with a distinct midpoint 4=neither dissatisfied or satisfied) are aggregated as 1,2,3 (=dissatisfied); 4 (=neutral); and 5,6,7 (=satisfied).

6.1 Promotion and Awareness of Program

This section examines the existence and perceived effectiveness of CESG promotional activities undertaken by HRDC and promoters/trustees.

Promotional Activities

CESG promotional materials and campaigns have been regularly developed and implemented over the course of the program's existence.

An examination of the HRDC/CESG website revealed a large amount of descriptive information on the grant and RESPs, including basic promotional and descriptive material, questions and answers, links to relevant sites on financing and PSE, and fact sheets. The CCRA also provides information on RESPs and to a lesser extent on the grant. An on-site examination of promotional documents indicated that HRDC Corporate Communications has conducted a wide range of promotional activities on behalf of the CESG, including television, radio and print advertising (*TV Guide*, magazines, weeklies, dailies, guides, brochures/pamphlets, and posters).[24] Many of these have been developed following a series of post-advertising surveys and analyses conducted by the program.

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[24] An on-site review of CESG promotional materials and post-advertising campaign reports indicated that key methods of dissemination included television and newspaper advertising. As one report contends, television serves as the best awareness method with a 60 second format, yet print media is the best method for increasing awareness and take-up (Palm Publicité Marketing Inc and Allard Johnson Communications, February 2001).

About 60 percent of the surveyed promoters/trustees indicated that they undertook promotional activities for the CESG and RESPs in the last 12 months.

Approximately 60 percent of promoters/trustees surveyed (23 of 37) said they undertook promotional activities with regard to the CESG and RESPs in the last 12 months. Among those whose organizations are conducting promotional activity (n=23), 61 percent (n=14) said that the Government of Canada's CESG Program is acknowledged in promotional material and activities to a large extent (responding with 6 or 7 on a 7-point scale, where 1=not at all and 7=to a great extent). Another 30 percent (n=7) said the CESG is acknowledged to some extent (i.e. 3 to 5 on the scale).

Effectiveness of Promotional Activities

Few subscribers (4 percent) and non-subscribers (11 percent) identified government material as their source of awareness about the CESG, although these numbers may not include some of those who heard about the program from government-sponsored advertisements.

Table 6.1 indicates the main sources of information about the program among subscribers and non-subscribers.[25] Only four percent of subscribers and 11 percent of non-subscribers, identified government materials as their source of awareness about the program.

For subscribers, the main sources of awareness were financial institution (FI) staff (29 percent), newspaper advertisement (17 percent) and word-of-mouth (16 percent). FI staff as a source of awareness was particularly high among family plan holders and subscribers in the Prairie Provinces. For non-subscribers who heard about the CESG, the main source of CESG information was word-of-mouth (28 percent), television advertisement (16 percent), newspapers (14), and FI staff (14 percent).

Table 6.1
Main Sources of Awareness of CESG:
Percentage Distribution of Subscribers and Non-subscribers

Source***	Subscribers*	Non-subscribers**
Financial institution staff	29	14
Newspaper	17	14
Word-of-mouth	16	28
Television advertisement	11	16
Financial institution brochures	10	10
Agent/Salesperson	6	0
Government materials	4	11
DK/NR	7	7

* Asked of those who knew they were contributing to an RESP.

** Asked of those who were aware of the Program.

*** Respondents were permitted to provide multiple responses. Only responses provided by four percent or more of subscribers are presented.

Sources: Survey of Subscribers and Survey of Non-Subscribers 2002.

[25] This question was asked of the 85 percent of subscribers aware they were receiving a grant and the 48 percent of non-subscribers aware of the program. See next section.

Table 6.1 suggests that financial institutions may have been more effective in promoting the program than the Government of Canada. However, some of the subscribers and non-subscribers who indicated newspapers or television as their main source may well have seen government advertisements, but were unaware that they were government sponsored.[26]

Most government representatives and financial experts interviewed as informants suggested that more effective promotional activities are needed in order to reach targeted audiences.

About half (8 of 14) of the government representatives and financial experts interviewed[27] as informants maintain that promotional activities (by HRDC and financial institutions) have been only somewhat effective in increasing take-up. On the other hand, in response to an open-ended question on what aspects of the program were working well, one of the most frequent responses (by 7 of 14 informants) was the communications and advertising campaigns (though some thought these should be more aggressive in reaching and convincing low-income earners).

In terms of suggestions to improve promotional activities, about half (six of 14) suggested increasing the use of alternative delivery methods (e.g., mall kiosks, announcements in card/gift shops, food tray covers in fast food restaurants), while four recommended greater coordination of CESG promotion among HRDC regional offices across Canada at the ground level.

Non-subscribers surveyed were moderately satisfied with the information available about the program, while promoters/trustees were more satisfied.

Approximately one-half (47 percent) of non-subscribers who had heard of the CESG indicated that information about the program was easy to find (responding 5 to 7 on a 7-point scale, (where 1=disagree strongly with the statement and 7=agree strongly), and a similar proportion (48 percent) indicated that the information clearly explained the program. The proportions disagreeing (i.e. 1 to 3 on the scale) were somewhat higher regarding the ease in finding the information than its clarity (25 percent versus 18 percent). The proportions providing a neutral response (i.e. 4 on the scale) were 19 percent and 16 percent, respectively. The proportion not responding were 10 percent and 8 percent, respectively.

Promoters/trustees appeared to be somewhat more satisfied with the information. Sixty-two percent of those surveyed (n=23) were satisfied with the information provided on the HRDC website about the CESG (responding 5-7 on the 7-point scale, where 1=extremely dissatisfied and 7=extremely satisfied). About one-fifth (22 percent) were neutral on the question (indicating 4 on the scale) and 16 percent were dissatisfied (i.e. 1 to 3 on the scale).

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[26] It is also important to note that financial institutions also do newspaper promotions and television advertising, so the estimates of financial institutions as a source of awareness may be under-estimated as well. At this point, the exact proportions cannot be specified.

[27] The third group of informants, researchers, were not asked this question because it was determined that their awareness of promotional activities would be limited.

Awareness of Program

Awareness of the CESG was measured four different ways: 1) awareness of the grant/program; 2) extent to which misconceptions about RESPs and the program are believed; 3) awareness of specific aspects of the program; and 4) awareness of who is responsible for providing the grant.

Eighty-five percent of those making RESP contributions were aware that they were receiving a grant, but only half (48 percent) of non-subscribers had heard about the CESG.

Of those making RESP contributions, 85 percent were aware that they were receiving a grant on top of these contributions. [28] Only half (48 percent) of non-subscribers had heard about the CESG.

For both subscribers and non-subscribers, lack of awareness was associated with lower income and education levels as well as living in Quebec. In addition, program awareness rose with income level. In the case of subscribers, awareness tended to be lower among group plan holders as compared to holders of other types of plans.

The majority of subscribers and non-subscribers do not believe common misconceptions about RESPs and the CESG.

Survey respondents were presented with a series of common misconceptions about the CESG and asked if they thought the statements were true or false. Generally speaking, subscribers were more likely than non-subscribers to correctly identify the statements as false:

1. ***"A contributor cannot get his/her RESP contribution back if the child does not go on to PSE":*** 81 percent of subscribers did not believe this false statement. Seventy percent of non-subscribers who had heard about the program did not believe the statement.

2. ***"One must contribute at least $2,000 to an RESP in a year in order to qualify for a CESG grant":*** 69 percent of subscribers did not believe this false statement. Just over one-half (55 percent) of non-subscribers did not believe the statement.

3. ***"RESP contributions are tax deductible (as they are with RRSP contributions)":*** 73 percent of subscribers did not believe this false statement. Non-subscribers were not asked about this misconception.

Fifty percent of subscribers and 45 percent of non-subscribers correctly indicated that all of the misconceptions were false. About one-quarter of both groups misunderstood two or more misconceptions. Those who believed that the misconceptions were true were over-represented among lower income and education groups, and among residents of Quebec.

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[28] The extent to which promoters/trustees actually inform subscribers of the receipt of the grant is not known.

The grant is the aspect of the program that most subscribers are aware of.

When subscribers were asked what aspects of the program they were aware of, the predominant unprompted response (by 43 percent) was the 20 percent grant. Just over one-quarter (27 percent) mentioned the limit on the grant.

Non-subscribers who were aware of the CESG and had read information about it were most likely to mention the $400 maximum grant, followed by the 20 percent grant rate. Just under a half (46 percent) of non-subscribers could not name any specific aspects of the CESG (lack of awareness being higher among those not currently saving for their (grand) children's education).

There is a modest level of awareness among subscribers and non-subscribers that the federal government administers the grant.

Subscribers were asked, in an open-ended question, to indicate who they believed provided the grant. Three in five (59 percent) indicated (unprompted) that the federal government or HRDC provided the grant. Awareness of the federal government's role tended to be lower among those with low levels of income and education. Just over one-half (53 percent) of non-subscribers correctly identified the federal government as the provider of the grant.[29] Over one-quarter (27 percent) did not know. Those most likely to be aware of the federal government's role were men and university-educated respondents.

Promoters/trustees rated front-line service personnel as somewhat knowledgeable about the rules and procedures of the CESG.

Promoters and trustees were also asked about awareness of program elements. In response, promoters/trustees (n=27) rated their front-line service personnel to be somewhat knowledgeable (73 percent, or n=27, reporting 3 to 5 on a 7-point scale, where 1=not at all knowledgeable and 7=extremely knowledgeable) or very knowledgeable (27 percent, n=10, reporting 6 or 7) about the rules and procedures. Promoters/trustees were asked in an open-ended question about the specific program design features and rules with which they are less familiar. Of those who provided a response (n=24), the predominant response was technical procedures (53 percent, n=13).

6.2 Roles and Responsibilities

As discussed in Section 2, the CCRA is responsible for RESPs, HRDC pays out the grants under the CESG, and promoters and trustees are responsible primarily for helping subscribers apply for the grants and administering the plans. This section addresses the issues of whether or not these roles and responsibilities are clearly understood and effectively carried out.

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[29] It should be noted, however, that answers to this question may have been influenced by the fact that respondents were told at the beginning that the survey was being conducted on behalf of HRDC.

Views were mixed on the extent to which roles and responsibilities are clearly understood.

Program representatives and financial expert informants[30] were more likely to say HRDC and promoters carried out their roles and responsibilities according to the original program design (averages of 5.9 and 5.7, respectively, on a 7-point scale, where 1=to no extent and 7=to a great extent), than trustees and the CCRA (average=5.2 and 4.9, respectively).

At the same time, views were mixed on the extent to which roles and responsibilities are clearly understood. On the one hand, half (n=7) of government representatives and financial experts indicated that the roles and responsibilities of partners in the delivery of the CESG have been clearly stated and understood. As well, these informants indicated that there is no duplication of tasks or mandates between HRDC and CCRA. On the other hand, 9 of 14 government staff and financial experts suggested: the roles and responsibilities of partners need clarification; the public perceives HRDC and CCRA to be operating as one unit, creating confusion in their minds; and/or greater communication between the Departments was needed.

Promoters/trustees had mixed views about the information and training on roles and responsibilities provided by HRDC.

Forty-three percent (n=16) of the surveyed promoters/trustees indicated that they are satisfied (5-7 on the 7-point scale, where 1=extremely dissatisfied and 7=extremely satisfied) with the clarity of information on their roles and responsibilities regarding the CESG program, and 30 percent (n=11) said they were dissatisfied (1-3 on the scale). Similarly, 56 percent (n=15; 41 percent overall) of promoters/trustees who received training from HRDC about roles and responsibilities were satisfied with this training, and another 26 percent (n=7; 19 percent overall) were dissatisfied. Nevertheless, despite the modest ratings of clarity of information and training, 80 percent of promoters/trustees (n=30) said they are confident in their knowledge of CESG program rules (6 or 7 on a 7-point scale, from 1=not at all, to 7=extremely confident), and the rest (n=7) said they are somewhat confident.

6.3 Satisfaction with Program Delivery

This section presents evidence from the survey of subscribers and the survey of promoters/trustees. Issues considered are subscribers' satisfaction with HRDC and promoter/trustee service delivery, as well as promoters' and trustees' satisfaction with HRDC delivery. Satisfaction is measured by the proportion of survey respondents reporting 5, 6 or 7 on a 7-point scale, where 1=extremely dissatisfied and 7=extremely satisfied).

[30] Academics and researchers were not asked this question because of their presumed low awareness of this issue.

The majority of subscribers are satisfied with all aspects of the HRDC's delivery of the CESG.

Survey results indicate that a majority of RESP subscribers are satisfied with all elements of HRDC service delivery, but to varying degrees.[31] In particular, 88 percent of subscribers are satisfied with the ability of HRDC staff to serve them in the language of their choice and 74 percent are satisfied with the response time of HRDC to requests by mail. However, two-thirds or less (62-66 percent) are satisfied with the response to requests by e-mail and with the knowledge and response time of CESG Call Centre staff.

The majority of subscribers are satisfied with promoter/trustee delivery, although there was some dissatisfaction with the fees charged by financial institutions and with the courtesy and knowledge of staff of scholarship foundations.

The subscribers survey asked about three aspects of promoters' and trustees' service delivery: whether or not the program was clearly explained; the level of satisfaction with service delivery; and the level of satisfaction with the promoters' and trustees' rules and fees. In considering the following information, it should be noted that HRDC's ability to affect how financial institutions deliver services under the program is limited at best.

- Three-quarters of subscribers (74 percent) agreed that the financial institution had clearly explained the program to them (reported 5, 6 or 7 on the seven-point scale, where 1=strongly disagree and 7=strongly agree). Only 10 percent disagreed (responding with 1-3 on the scale) with the statement and another 13 percent provided a neutral response (4 on the scale). Two percent did not provide a response. The proportion agreeing with the statement was significantly lower among subscribers dealing with banks.

- As shown in Table 6.2,[32] satisfaction with the courtesy and knowledge of financial institution staff is high among subscribers overall (86 percent and 79 percent, respectively, responded with 5-7 on the scale). Clients of scholarship foundations are less likely (than subscribers overall) to be satisfied with staff knowledge and courtesy (75 percent and 84 percent respectively), while clients of investment/management companies are more likely to be satisfied (86 percent and 88 percent, respectively).

- The majority of subscribers (73 percent) are satisfied with the speed with which grants were deposited in accounts, with no differences by type of financial institution. However, clients of scholarship foundations were significantly more likely to have reported not being aware of the speed with which the grant was paid (14 percent) or to not have responded at all to the question (11 percent).

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[31] It should be noted that results in this section are based on the responses of 11 percent of RESP subscribers (n=240) who said in the survey they had dealings with HRDC with regard to RESPs and CESGs. Results presented are for only those respondents who provided a response for the specific item (i.e., excluding those who did not use the specific service in question as well as users who could/did not provide a response), in order to have each item on a equal footing. The resulting small numbers mean that that there may be concerns about the reliability of the results.

[32] Note once again that the proportion satisfied is based on only those respondents who were aware of and/or used the particular service, fee or rule and provided a response to the question.

- The majority of subscribers are satisfied with promoters'/trustees' rules regarding the minimum amount that must be contributed to a plan (75 percent) and the regularity of RESP contributions (80 percent). There were no statistically significant differences by type of financial institution.

- Sixty-four percent of subscribers are satisfied with the administration fee and only 47 percent are satisfied with the close-out fees. Satisfaction with the administration fee is particularly low among clients of scholarship foundations (56 percent), but higher for clients of investment management companies (71 percent). About 40 percent of subscribers who indicated dissatisfaction with the close-out fees (1-3 on the scale) said that the fee to a large extent (6 or 7 on a 7-point scale) played a role in their having more than one plan.[33]

Table 6.2
Percentage of Subscribers Satisfied* with Financial Institution Service Delivery, Rules and Fees, By Type of Financial Institution

Service Item**	All	Bank	Fund/Inv Mgmt Co.	Scholarship Foundation	Other****
1. Service Delivery					
Courtesy of FI staff administering RESP on their behalf (n=1,919)	86	87	88***	84***	88
Knowledge of FI staff administering RESP on their behalf (n=1,924)	79	77	86***	75***	80
Speed with which Grants placed into account following contributions (n=1,719)	73	72	76	69	76
2. Rules and Fees					
FI's rules regarding *regularity* of RESP contributions (n=1,649)	80	78	81	81	82
FI's rules regarding *minimum* amount of RESP contributions (n=1,600)	75	74	77	73	81**
Administration fee charged by FI/advisor (n=1,414)	64	68	71***	56***	70
Close-out fee charged by FI/advisor (n=787)	47	48	51	43	49

* The proportion of subscribers indicating 5-7 on a seven-point scale, ranging from 1=extremely dissatisfied, to 7=extremely satisfied.

** The indicated sample size for each item (n) excludes those who are not aware of item, who did not have dealings with FI and therefore did not "use" service item, or did not otherwise respond to the question.

*** Proportion is significantly different from the overall proportion, at the five percent level or less.

**** Includes brokerages, insurance companies, etc.

Source: Survey of Subscribers 2002.

[33] The proportion for scholarship foundations is lower (43 percent). A close out fee is charged when a subscriber wants to transfer their RESP and grant contribution to take advantage of, for example, lower administrative costs of more favourable investment dividends.

Promoters/trustees are generally satisfied with most aspects of HRDC service delivery provided to them, but less satisfied with information provided by HRDC on the rules of the CESG and with the response time of HRDC staff by mail and by the 1-888 call centre.

A majority of promoters/trustees said they are satisfied with each of the aspects of service delivery examined (5-7 on the 7-point scale), as shown in Table 6.3[54]. Almost all (95 percent or more of respondents) are satisfied with HRDC staff (courtesy, language capacity) and with the speed with which HRDC issued grants. Sixty-three percent were satisfied with the accuracy of HRDC data transmissions and 80 percent were satisfied with the courtesy and response time of HRDC staff.

Promoters/trustees are least likely to have reported being satisfied with the response time of staff by mail (69 percent) and at the Call Centre (63 percent). Note, however, that the rating for the former (response by mail) is based on the responses of only 18 promoters or trustees who answered the question. Note as well that only 30 percent of promoters/trustees who reported being dissatisfied (1-3 on the scale) with at least one of the aspects listed in Table 6.3 indicated that the area(s) in which they were dissatisfied had a negative effect (reporting 1 to 3 on a 7-point scale) on their service delivery.

Table 6.3
Percentage of Promoters/Trustees Satisfied with HRDC Service

Service Item	Percent Satisfied*	Valid n**
Speed with which Grants are issued by HRDC	98	36
Courtesy of the HRDC staff	97	37
Language ability of HRDC staff	95	37
Accuracy of data transmissions from HRDC	80	34
Response time of HRDC staff via the telephone	79	37
Knowledge of HRDC staff regarding rules of CESG program	78	37
Knowledge of staff at the HRDC 1-888 call centre	75	31
Response time of HRDC staff via e-mail	74	34
Response time of HRDC staff via mail	69***	18
Response time of staff at the HRDC 1-888 call centre	63	33

* The proportion of Promoters/Trustees indicating 5-7 on a seven-point scale, ranging from 1=extremely dissatisfied, to 7=extremely satisfied.

** Excludes those who are not aware of item or did not "use" the service item in question.

*** Result should be treated with caution because of the small number of responses on which it is based (n=18).

Source: Survey of Promoters and Trustees 2002.

Views on two other aspects of the relationship between HRDC and financial institutions were noted:

- HRDC's communications with financial institution partners was frequently identified by informants, unprompted, as an aspect of the program that is working well (by 8 of 20 informants); and

[54] Once again it should be noted the results are based on the responses of 37 promoters and trustees and therefore should be treated with caution. This is particularly the case for some service items where a number of trustees and promoters did not respond to the specific question – because they could not and/or because they did not use the item in question.

- Promoters/trustees were only modestly satisfied with information provided by HRDC on rules of the CESG. Fifty-seven percent (n=21) were satisfied (reporting 5 to 7 on the 7-point satisfaction scale) with the clarity of the rules of the CESG program and 35 percent (n=13) were dissatisfied (1 to 3 on the scale); eight percent provided a neutral response to the question (4 on the scale).

6.4 Administrative Data Systems

The CESG Program has two data systems:

- The *operational* database was developed soon after the program was put in place. Its purpose was simply to store information about beneficiaries and to administer the granting of monies under the program. Discussions with CESG staff indicate that, while the amount of money contributed and paid out was maintained accurately by the original operational data system (version 2.5), the large number of variables validated, the complexity of the system, and the growing number of subscribers applying for a grant began to impede the timely payment of grants. Informants indicated that this resulted in the system being unable to process grants effectively or efficiently. In response, HRDC recently developed a second version of the operational database (implemented in September 2001), called version 3.0.1, which streamlined the processing of transaction data and the payment of grants.
- The *Reporting Database* (RDB) was built because the size and complexity of the operational system prevented ongoing analysis of the data. Selected variables from the operational database are copied into the RDB, along with data from other sources, such as Statistics Canada (e.g., the SAEP, LFS, the Census, etc.) and Canada Post, for purposes of analysis, reporting and monitoring.

Data Systems

The information collected and used to monitor the CESG was rated highly in the areas of relevance and usefulness, but not as high in the areas of reliability, comprehensiveness and adequacy.

In the interviews, government representatives (n=8) were asked to judge the information collected and used to monitor the CESG. The information was rated using a 7-point scale (where 1=low and 7=extremely high) on a number of dimensions: reliability, comprehensiveness, adequacy, validity, relevance, and usefulness.[35] The results indicate that government representatives judged the relevance and usefulness of the data considerably higher than reliability, comprehensiveness, adequacy and validity (i.e. the validity of the data received the lowest rating, but further details regarding concerns in this area were not obtained by the evaluation). Responding to a different question, the most frequently identified unprompted strengths of the data were the database's large size (n=4) and the data's electronic format and the ability to manipulate the information (n=3).

[35] Interviewees were not provided with definitions of each of these dimensions.

Reporting Requirements and Security Measures

Fewer than half (46 percent) of the promoters/trustees surveyed said that they understood the CESG reporting requirements to a large extent, although 41 percent indicated that they had some understanding of reporting requirements under the program.

Promoters/trustees appear to have at least some understanding of reporting requirements, but have experienced some difficulty in implementing them. Fewer than half (46 percent) of promoters surveyed stated they understand CESG reporting requirements to a large extent (6 or 7 on a 7-point scale, where 1=to no extent and 7=to a great extent), although 41 percent indicated they do understand them to some extent (3-5 on the scale).

Promoter/trustees considered the level of security to be a strength of the program, but found the implementation of reporting requirements problematic.

Seventy percent (n=26) of promoters/trustees surveyed felt that the security measures for transfer/encryption of client data between them and HRDC were adequate (6 or 7 on a 7-point scale, where 1=not at all adequate and 7=very adequate). Likewise, informants identified a high level of security as a strength of the program.

In terms of implementation, the reporting requirements are problematic for a number of surveyed promoters/trustees (reporting 6 or 7 on the 7-point scale): 32 percent (n=12) said that reporting requirements are time consuming to complete; 30 percent (n=11) said that the requirements are difficult to integrate with internal management of financial data; and 25 percent (n=9) said that it is difficult to comply with the reporting requirements.

Evaluation Requirements and Monitoring

Administrative data systems are effective in delivering grants, although they were not well suited to developing the sample frame for the survey of RESP subscribers and to developing a comparison group for evaluation purposes.

The evaluation also considered whether or not sufficient data are being gathered in order to measure short, medium and long-term impacts, and to identify a comparison group. In preparing the data for, and conducting, the subscriber survey, it was discovered that there were large numbers of missing and bogus SINs for subscribers, as well as missing or questionable contact information. Also, telephone numbers of subscribers were out of service (representing 16 percent of numbers dialled). This is because variables not used for program management, such as subscriber contact information and SINs, are not validated.

Moreover, the administrative database does not maintain data on a comparison group of non-subscribers, which would ideally be needed to measure incremental impacts (i.e. what would have occurred as far as savings behaviour is concerned if the program did not exist).

It should also be mentioned that (under the program) HRDC commissioned Statistics Canada to conduct the SAEP, in 1999 and more recently in October 2002. The SAEP surveys have gathered data from the general public on their behaviour and attitudes with regard to saving for children's future post-secondary education. This will, to a large extent, enable the monitoring of RESP uptake over time and across population sub-groups. In addition, the SAEP, supplemented by other national Statistics Canada initiatives such as the Survey of Financial Security and the Census, will enable the development of a comparison group of those who do not contribute to RESPs.

Finally, it must be pointed out that current contact information is not necessary for effectively delivering grants to financial institutions on behalf of subscribers, which is what the program was designed to do. It is the financial institutions who must maintain contact information on subscribers since they are the clients of the financial institutions for purposes of the RESPs. The CESG data system, which is organized by beneficiaries, now permits tracking of beneficiaries and Educational Assistance Payments of beneficiaries, which is what is needed to contact beneficiaries as part of the administrative functioning of the Program.

6.5 Potential/Perceived Factors Affecting the Program

This section acts as a summary bringing together factors potentially affecting RESP contributions and program delivery and effectiveness. Some are internal to the program, while others are external.

A number of factors affecting program delivery were identified, including the potential for the grants to be seen as insignificant, confusion in the public's mind over the respective roles of HRDC and CCRA, and the fees that financial institutions charge subscribers.

Relevance:

- ***Possible loss of public support***: One-third of the informants (7 of 20) suggested that a potential threat to the program is a loss of public support because the program is perceived as benefiting only high-income Canadians and being unable to attract low-income earners, RESPs being perceived as too inflexible, or the program being ineffective in demonstrating if and how it is increasing contributions and demand for PSE – this is a problem of communications as well.

Design:

- ***Perceived insignificance of the grant***: One-quarter of informants suggested that there is the potential for the grant to be seen as too low to make a difference. Only one-fifth of non-subscribers surveyed said the 20 percent grant would encourage them to contribute (most wanted a larger grant). However, 30 of 37 promoters and trustees surveyed said that the 20 percent grant is sufficient to encourage investment in RESPs.

Delivery:

- ***Perceived insufficient human resources***: One-quarter of informants said the lack of human resources and turnover in the program's administration division constrain program delivery, with the loss of "corporate memory" most frequently mentioned as a result of this. However, this is a perception only and not based on a rigorous assessment of the number of staff vis-à-vis the number that would be required to run such a program.

- ***Communications with partners:*** Eight informants identified communications with partners in the financial industry as a strength of the program (e.g., seamless and paperless transactions with promoters). On the other hand, five informants identified a lack of communications, including the exchange of reports between HRDC and CCRA as an operational element negatively affecting the quality of program delivery. One in four government representatives (2 of 8) also mentioned the confusion in the public's mind between HRDC's and CCRA's role in the Program.

- ***Communications with the public:*** One-third (7 of 20) of informants identified the Program's advertising campaigns as a strength of the program. A similar number said, however, that more could be done to attract low-income households to RESPs, specifically by pointing out the merits of saving for the PSE of children.

- ***Lack of money to contribute***: The lack of available funds was subscribers' and non-subscribers' most frequently mentioned response to the question on what discouraged contributions to RESPs. Forty percent of subscribers said that the lack of money discouraged them from contributing more than they do. Among the 57 percent of non-subscribers who do not save or expect to save for their children's PSE, lack of available funds was the most frequently mentioned reason. This was reported by 51 percent of those asked the question, which translates into 29 percent of all non-subscribers.

- ***RESP rules:*** To a large extent, the rules set for RESPs by CCRA are outside of the control of HRDC but would be expected to have an impact on program take-up. About a quarter of promoters/trustees surveyed (n=9-10) suggested that increasing the maximum RESP contribution and extending the 15/16-age rule could increase contributions. However, very small proportions (2-5 percent) of subscribers identified a specific RESP rule as a factor discouraging them from further investment in RESPs and non-subscribers from investing at all in RESPs. Similarly, among those subscribers who had an RESP in place prior to 1998 when the CESG was implemented, only 14 percent said that raising the RESP contribution limits in 1998 encouraged (6 or 7 on a 7-point scale) them to contribute more to their RESP. This proportion tended to be higher among family plan holders, higher-educated subscribers, and subscribers with high household income.

- ***HRDC information and training***: HRDC provides information on its website on the program and its rules, and information and training to promoters/trustees on roles and responsibilities. Half (seven) of the 14 promoters/trustees who are dissatisfied with the information and training indicated that it had had a negative effect on service delivery to their clients.

- ***Financial institution delivery***: The administration of the program by promoters/trustees affects RESP investment. As observed above, subscribers were least satisfied with the fees charged by promoters and trustees, particularly the close-out fee. For the most part, HRDC's ability to control how promoters and trustees administer the program to subscribers is limited.

6.6 Programs in Other Countries

Approaches to financing PSE in other countries may serve as examples of alternative ways of encouraging PSE savings. The options should be considered in the context of how tuition fees are levied and what loan options are available. If tuition fees are not levied or are quite low or if student loans have particularly easy terms, then there is less need to implement a program like the CESG to encourage PSE savings prior to the child's entry into PSE. This is also true in countries that raise entrance requirements restricting access owing to relatively few spaces in universities.

Although other countries offer some interesting approaches to encouraging savings for PSE, the programs are too new to offer lessons learned.

At least two countries have options similar in intent to the CESG but which expand upon the concept. The United Kingdom, for example, offers *National Savings Bonds*[36] that allow children over seven years of age to contribute thus helping them to discover the benefits of saving. A second unique option, which is currently under development and expected for implementation in 2003, is the *Child Trust Fund*.[37] Geared primarily to low-income families, this fund also encourages savings and teaches children the importance of asset management. The *Child Trust Fund* provides low-income children with the advantage of knowing how to manage budgets.[38]

The United States has a number of programs encouraging saving. Programs implemented to help parents save for their children's PSE include:

- *The Coverdale Education Savings Account* (ESA),[39] which differs from Canada's RESPs in that it has no 20 percent grant added to its contributions but allows subscribers up to $2,000 per year in contributions to grow tax-free;
- *Education Savings Bonds*,[40] which are similar to Canada's RESPs in that they have a subscriber/beneficiary component, but are made available through most financial institutions via payroll savings plans and offer interest exemption from State and local income tax; and
- The *Qualified State Tuition Program* (QSTP),[41] which allows an individual to "prepay tuition benefits on behalf of a beneficiary so that the beneficiary is entitled to a waiver or a payment of qualified higher education expenses, or contribute to an account that is established for paying qualified higher education expenses of the beneficiary" (Internal Revenue Service, 2001).

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36 The Children's Bonus Bond is included under the auspices of the National Savings Bond. See http://www.abbeynational.co.uk/index/savings_home/savings_children_home/ savings_children_fb.htm for more information.

37 Will Paxton. (January 2002) "Baby-Bonds: Bonding Communities?" Submitted to IPPR and Global Service Institute, United Kingdom.

38 While access to the account would be restricted to the child at 18 years of age, there are currently no restrictions on how the child can spend the funds, as the purpose of the account is to ensure that children will have enough funds to permit them opportunities they may otherwise have not had in their adulthood (i.e., better equip them for the market).

39 See http://personalfinance.firstunion.com/pf/cda/ps/product_article/0,2954,426_500,00.html for more information.

40 See http://www.savingsbonds.gov/ or http://www.hrblock.com/part7856124con974632SI3647816/tax_law/education.html .

41 See http://www.hrblock.com/part7856124con974632SI3647816/tax_law/education.html for tax law changes regarding the QSTP.

7. Early Impacts

This section considers the early signs of program impacts by examining the extent to which the CESG had an impact on the number of RESPs established and the amounts contributed to RESPs. It also takes a look at whether the CESG has facilitated savings for and access to PSE. The methodology employed did not allow for the measurement of program incrementality – i.e. the net impact of CESG on RESP holdings and contributions. The summative evaluation will assess the net impact of CESG on savings for PSE.

7.1 Impact on Number of RESPs

The available evidence indicates that the CESG increased the number of individuals contributing to RESPs.

Considering 1998 RESP use as the baseline, the quantitative evidence from the CESG/LAD data indicates a significant increase in savings for PSE. From 1998 (when the program was just getting under way), to 1999 (when the program was fully operational), the percentage of 1999 taxpayers, with children under 19 years of age, who contributed to an RESP rose from 4.1 percent in 1998 to 6.2 percent in 1999. The increase was not as great, however, between 1999 and 2000 as the incidence rose to 7.2 percent.[42]

The perceptual evidence supports this finding. Promoters/trustees, subscribers and non-subscribers in the surveys indicated that they perceive the CESG to have had a positive impact on the number of new RESPs.

Among promoters/trustees who had been dealing with clients contributing to RESPs prior to 1998 when the CESG was established (n=13), all indicated that they had observed an increase in the number of new RESPs being established (rated 5, 6, or 7 on a 7-point scale). Similarly, promoters/trustees who had been involved with clients contributing to RESPs only *since* 1998 (n=24) were asked a similar set of questions about the role of the CESG program in their clients' savings behaviour for their children's PSE.[43] Virtually all of these respondents (92 percent, n=22 of 24) indicated that the CESG has increased the number of new RESPs being established to a great extent (responded 5, 6 or 7 on a 7-point scale).

Subscribers who said they did not have an RESP in place before the CESG was introduced (n=1,260) were asked what role the implementation of the CESG had in their decision to start a RESP, by responding using a 7-point scale (where 1 is not at all important and 7 is very important). Almost three-quarters (72 percent) of subscribers said the grant played an important role in their setting up a plan (6 or 7 on the scale), and another 23 percent said it played a somewhat important role (3, 4 or 5 on the scale).

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42 Note again that data on RESP contributions for only the full years 1998 to 2000, and on the total population of taxpayers in 1999. Also note again that the CESG/LAD data over-represent lower income households. For these reasons, these rates should be interpreted as representing the true RESP incidence for households with children.

43 As this group of respondents were not dealing in RESPs prior to the inception of the Program and therefore could not detect any differences in behaviour, the question was phrased in terms of only what the respondent "felt" was the impact of the Program in the specific areas, and not what they actually observed.

The proportion of subscribers rating the CESG as important in their decision to set up an RESP was significantly higher among residents of the Prairies and lower among subscribers in the Atlantic Provinces. The percentage is also significantly higher among family plan holders and those who have contributed $5,000 or more to RESPs, but significantly lower among group plan holders and those contributing less than $1,000.

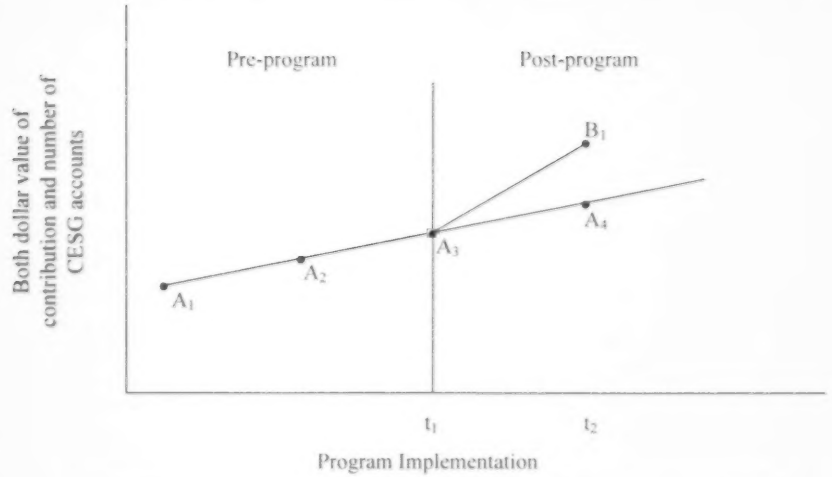
Finally 53 percent of non-subscribers said they would be more likely (6 or 7 on the 7-point scale) to contribute to an RESP in light of the fact that they would receive a grant of 20 percent of what they contribute. This is an indicator of the *potential* for the program to increase the number of RESPs.

The incremental effect of CESG on the number of RESP will be addressed in the summative evaluation

Incrementality in program evaluation terms, attempts to answer the following question: "(1) Did the program intervention make an overall difference with respect to the intended result?; and (2) If yes, what was the extent of the difference?"

With respect to CESG the desired incremental program effect is illustrated in Exhibit 7.1 below.

Chart 7.1
Incremental Effect of CESG on RESP



The difference between the projected trend line and the actual post-program observation of RESP contribution (either in terms of total amount, or number of new accounts) after the introduction of CESG can be attributed to the program itself.

In the above table, A_1, A_2, A_3 are observations of past RESP contributions, A_4 is the projected contribution of RESP without CESG and B_1 is the actual contribution of RESP after the introduction of CESG. The difference between B_1 and A_4 is the estimated program incremental effect at point t_2.

7.2 Impact on Amount Contributed to RESPs

The evidence suggests that the CESG encouraged some subscribers to contribute more to RESPs.

In terms of amounts contributed to RESPs, two-thirds of promoters/trustees who had been dealing with clients contributing to RESPs prior to 1998 (n=9) said they had witnessed an increase in the average amount contributed to existing RESPs by their clients since the CESG was established.

The majority of subscribers do not think the CESG played an important role in the level of their contributions.[44] However, the survey results indicated that 39 percent of subscribers believe that the grant induced them to contribute more (5, 6, or 7 on the 7-point scale), while almost half the subscribers (46 percent) think they contribute about the same (4 on the scale).[45] The proportion saying the grant has had a positive effect is greater among residents of Ontario, family plan holders and high income earners, and lower among Quebec residents, group plan holders, and low income earners.

Post-CESG subscribers were more likely to say the grant had an effect than pre-CESG subscribers. Forty-five percent of pre-CESG subscribers said the grant induced them to contribute more, compared to the thirty percent of post-CESG subscribers who said it induced them to contribute more than they would otherwise *without the grant*. Note, however, that it is possible that some pre-CESG subscribers were not aware of the transition to the CESG regime and thus did not change their behaviour.

As discussed in Section 5.3, the quantitative evidence (CESG administrative data) suggests the program did have an impact on contribution levels. The data indicate that average RESP contributions rose between 1998 and 1999, from about $1,640 to $2,105. Percentage increases were similar across income levels, although average contributions fell to $1,945 in 2000 (suggesting possibly a one-time rise for the program). Similar to the discussion in 7.1, the summative evaluation will focus on measuring the net impact of the program on the contribution level.

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[44] Those who started contributing before 1998 were asked if the implementation of the CESG had affected the amount of their contributions compared to before the start-up of the program. Those who began making RESP contributions after the Program's implementation were asked if the existence of the grant affects the amount they would normally contribute (if the CESG did not exist). Responses were provided on a scale, from 1 (much less) to 7 (much more).

[45] The fact that eight percent actually said the grant induces them to contribute *less* suggests that some subscribers may have a certain target in mind and the grant may allow them to reduce their contributions and still attain that target.

7.3 Other Impacts

Informants generally expect the CESG to increase savings for PSE.

Informants generally see the program as meeting the objective of increasing saving for PSE, with the caveat that, given the CESG is a relatively new program, impacts cannot be fully known at this time. Informants were asked to assess the extent to which the CESG has had an impact on parents'/grandparents' propensity to save for an education. Interviewees provided a moderate rating of program impacts in this area: an average rating of 5.0 on the 7-point scale, ranging from no effect to a great effect. The summative evaluation will assess the net impact of the program on the level of savings.

There is some evidence that RESPs help to increase PSE attendance; however, it is too soon to tell if CESGs are having an impact.

Subscribers who had set up a plan for children who had already reached or surpassed the age of 18 years (15 percent of subscribers) were asked to rate the importance of their RESPs in these children's participation in PSE (Table 7.1, panel 1). Forty-two percent said the RESP played an important role (6 or 7 on a 7-point scale), and another 45 percent said the RESP played a somewhat important role (3, 4, or 5 on the scale). Note as well that, for half (48 percent) of the subscribers who had a plan for children over 18 years old, the beneficiary received payment from the plan (as shown in Table 7.1).

Informants were also asked about children's PSE attendance. Here, it should be noted, the question was asked about RESPs in general and not the grant, as it is too soon to say if the CESG is having an effect in this respect. The informants were fairly neutral in their views on the question of the extent to which the CESG itself will improve access to PSE in the future. The summative evaluation will assess the net impact of the program on beneficiaries' PSE attendance.

Table 7.1
Impact of CESG/RESPs on PSE Participation, Percentage Distribution According to Responses to Questions*

	Percentage
1. Role of CESG/RESPs in PSE Participation*	
Important role (6,7)	42
Somewhat important role (3-5)	45
Little/no role (1,2)	11
Non-response	1
2. Proportion Receiving Payment from RESP	
Yes	48
No	51
Non-response	1

* Responses provided on a 7-point scale, from 1=not at all important, to 7=very important.

n=317 parents who have a child over 18 years of age for whom they had a RESP.

Source: Survey of Subscribers 2002.

There is no early evidence of any unintended impacts of the CESG.

The analysis of the CESG/RESP administrative data indicated contributions to RRSPs, which may have been used to save for PSE prior to the introduction of the CESG, did not decrease between 1998 and 1999 and thereafter. This suggests the CESG did not affect investment in RRSPs. The majority of informants promoters/trustees also said there were no unintended impacts of the program, although some informants suggested (but did not provide evidence) that banks may have benefited from the program as a result of the increased business resulting from the increased RESPs and contributions.

8. Summary of Conclusions

This section presents a brief summary of some of the main conclusions regarding program relevance, design and delivery, and the early evidence of program impacts. It also highlights areas identified for improvement.

8.1 Program Relevance

A number of factors act as potential barriers to PSE participation.

The literature review indicated that factors impeding PSE include the costs of PSE, parents having low levels of education, and a child having poor school performance. At the same time, Canadians have a strong interest in PSE and both RESP subscribers and non-subscribers have high expectations for the education of their children. Most subscribers and most non-subscribers expect their beneficiaries/children to attend either university (78 percent of subscribers and 60 percent of non-subscribers) or college (29 percent and 43 percent, respectively).

Less than half of Canadian households with children under the age of 18 had saved for the future education of their children, with some groups putting aside more than others.

Results from the 1999 Survey of Approaches to Education Planning (SAEP) indicated that 17 percent of households, and 45 percent of those with children under 18, had savings for PSE. Further analysis (multivariate) of the SAEP data indicated that the incidence of saving for PSE is particularly high for those with a university degree, those with an annual income of $80,000 or more, and residents of the Atlantic and Prairie Provinces.

There is uncertainty about the cost of post-secondary education and how much savings will be required.

Although some subscribers and non-subscribers have fairly realistic expectations of the cost of PSE, a large proportion of both groups (18 percent of subscribers, 26 percent of non-subscribers) could not or did not respond to the question on what they thought the total annual cost of PSE would be when their child enters PSE. There is also uncertainty about how much of the cost of the child's PSE will be covered by their savings (22 percent of non-subscribers and 13 percent of subscribers could not or did not respond to the survey question in this area).

The CESG is a key program in Canada designed to encourage adults to save for the future PSE of children through a combination of tax-sheltered income-earning savings and grant.

Repayable government and private student loans and study grants and non-repayable government and private scholarships, grants and bursaries are directed at *youth*, typically in disadvantaged positions and seek to facilitate their participation in PSE *at the time of entry* or assist debt repayment after completion of PSE.

8.2 Characteristics of RESP Subscribers:

Key factors affecting CESG take-up include parent's education, age and school aspirations for their children, the child's performance in school, and province of residence.

Multivariate analysis identified certain characteristics of subscribers as being influential in predicting RESP take-up, after controlling for the influence of other factors. Among the strongest predictors of whether or not parents will contribute to an RESP on behalf of the child are the child's school performance and their parents' expectations that they will attend university. Other predictive factors include parents' education, their age (over 35 years) and *not* living in Quebec. The lower RESP take-up rate in Quebec is likely attributable to the province's publicly funded college system (CEGEP) and relatively low university tuition fees for Quebec residents. The effect of income, although significant, is weaker than these other factors.

The foregoing analysis indicates the importance in a summative evaluation to undertake segmented analysis of the factors affecting take-up for various characteristics of subscribers (e.g., education, age, income) in a summative evaluation. Such an analysis would possibly reveal important factors that predict RESP take-up among different subscriber groups, and by so doing, indicate promotional and marketing methods that would be important in targeting the program.

The evaluation identified a number of basic characteristics of subscribers.

RESP subscribers have been contributing to RESPs for an average of six years. Almost all have one or two plans and deal with only one promoter/trustee (financial institution). Most have one or two beneficiaries. The average grant allotted in 2000 (the last complete year for which CESG data were available at the time of the evaluation) was $389 per subscriber.

RESP contributions rise with income and are significantly lower than the population share for parents with low household income and higher for those with high household income.

The share of RESP contributing households during the period of 1998 to 2001, was very low for households with $20,000 or less of pre-tax income (8.6 percent) in comparison to their share of all households (33.6 percent). Households in the $20,000 - $39,999 income category have a share of RESP contribution that is slightly less than their share of households while households in the $40,000 - $79,999 categories have a modestly higher share of RESP contribution than their share of all households. For households above $80,000, their share of RESP contributing households is much higher (36.2 percent) than their share of all households (16.5 percent).

8.3 Design and Delivery:

Awareness of the CESG and its rules is low in lower income groups and rises with income level.

Eight-five percent of those making RESP contributions were aware that they were receiving a grant, but only half (48 percent) of non-subscribers had heard about the CESG. Lack of awareness of the CESG was associated with lower income and education levels, as well as living in Quebec.

Government promotion materials are not particularly effective in reaching subscribers and potential subscribers.

Few subscribers (4 percent) and non-subscribers (11 percent) identified government material as their source of awareness about the CESG, although these numbers may not include some of those who heard about the program from government-sponsored advertisements in newspapers or on television.

Less than half of subscribers are satisfied with the ease in finding and understanding information about the CESG, and only 62 percent of promoters/trustees are satisfied with this information.

The majority of RESP subscribers are satisfied with service delivery, although satisfaction was lower for clients of scholarship foundations.

The majority of subscribers are satisfied with all aspects of service delivery. In particular, three-quarters or more are satisfied with the ability of HRDC staff to serve them in the language of their choice and the response time of staff to answer requests by e-mail.

A majority of subscribers are also satisfied with most aspects of program delivery by promoters and trustees. Particular strengths include courtesy and staff knowledge of rules regarding the regularity and amount of the RESP contribution. However, satisfaction with the courtesy and knowledge of staff and satisfaction with service fees was significantly lower for clients of scholarship foundations.

Most promoters/trustees are satisfied with HRDC program delivery, although some areas were identified for improvement.

Most promoters/trustees are satisfied with all aspects of HRDC program delivery to them. Areas where satisfaction is particularly high include the speed with which grants are issued, and the courtesy and language ability of HRDC staff. Response time of staff at the HRDC Call Centre was given the lowest rating by promoters/trustees.

Promoters/trustees exhibited only a modest level of understanding of reporting requirements. Fewer than half of promoters/trustees surveyed said they understood their reporting requirements under the CESG to a large extent, and several found them difficult

to implement. Despite saying that partners' roles and responsibilities were clearly specified and understood, most informants felt that roles and responsibilities needed further clarification. As well, large numbers of promoters/trustees were not satisfied with the information and training provided to them on roles and responsibilities.

A number of factors were identified as affecting program delivery.

Factors identified as affecting program delivery included the potential for the grant to be seen as insignificant, insufficient human resources to manage the program, confusion in the public's mind over the respective roles of HRDC and Canada Customs and Revenue Agency (CCRA), and the fees financial institutions charge subscribers.

Few of those consulted identified the rules associated with RESPs as barriers to program delivery.

Administrative data systems are effective in delivering grants, although they were not well suited to developing the sample frame for the survey of RESP subscribers and to developing a comparison group for evaluation purposes.

The administrative data systems were seen as particularly effective in delivering the grants. Most promoters/trustees viewed the security measures as adequate for encrypting and transferring client data to HRDC.

Inaccuracies in the contact information available for RESP subscribers made it difficult to develop and conduct the survey of subscribers.

8.4 Early Signs of Program Impacts:

The available evidence indicates that the number of individuals contributing to RESPs increased significantly when the CESG was introduced.

The linked CESG-LAD database reveals a significant increase in savings for PSE. The proportion of taxpayers with children under 19 years of age and who contributed to a RESP rose from 4.1 percent in 1998 (when the CESG was just getting under way) to 6.2 percent in 1999 (when the CESG was fully operational), and rose to 7.2 percent in 2000. Other lines of evidence also indicate that the program had an impact on contribution levels. From the survey of CESG subscribers, 72 percent of subscribers indicated that the program had an important effect on their decision to open an RESP account and 23 percent said it was somewhat important. Analysis of the linked CESG-LAD database also revealed that contributions to RRSPs did not decrease between 1998 and 1999.

The foregoing analysis indicates that the introduction of the CESG had an impact on PSE savings. However, the study methodology did not allow for a determination of CESG's net impact on PSE savings. Nor was it possible to assess the extent to which savings were transferred from other investment vehicles to RESPs.

There is evidence that the CESG encouraged some subscribers to contribute more to RESPS.

CESG administrative data indicates that average assisted contributions (attracting the grant) rose from $1,640 in 1998 to $2,105 in 1999, although average contributions fell somewhat to $1,945 in 2000.

About 40 percent of all subscribers surveyed reported that the program positively influenced their contributions to RESP. About half of those with RESPs since the program's introduction said they contribute more to RESPs than they would contribute without the grant.

The foregoing provides evidence of the potential that CESG led to an increase in savings for PSE. However, the study methodology does not allow for a determination of the extent to which increases in contribution levels are attributable to the program. Similar to the discussion on the incremental effect of CESG on the number of RESP contributions, the summative evaluation will focus on measuring the net impact of the program on the contribution level.

8.5 Limitations

There is a need for more targeting at lower-income families and for more effective promotional materials to reach targeted audiences.

Awareness of the true cost of PSE, the benefits of attaining higher levels of education and the benefits of saving for the future PSE of children could be increased. The fact that half of non-subscribers said they would contribute to an RESP if they knew they would receive a grant for doing so suggests more effective promotion could increase RESP up-take. Promotion of the program would likely have a limited impact, however, for those families earning less than $20,000 with relatively little discretionary income.

There is a need to do more to clarify reporting requirements and roles and responsibilities of delivery partners.

The evaluation indicates that there is a need to further clarify the roles and responsibilities of delivery partners, particularly those of HRDC and the CCRA. There is also a need for more effort to improve understanding and facilitate implementation of program reporting requirements on the part of promoters and trustees.

Program delivery could be improved by considering ways to improve the CESG Call Centre.

Another way to help improve delivery is to consider ways to improve the response time of the CESG Call Centre.

Consideration should be given to ensure the availability of subscribers' contact information.

Ensuring the availability of accurate subscribers contact information would help to support the evaluation process and the assessment of program impacts in the summative evaluation.

The summative evaluation should include a concerted effort to measure the net impacts of the program on PSE savings and RESP take-up.

The formative evaluation has shown that the introduction of CESG in 1998 was accompanied by increases in RESP holdings and contribution levels. However, the extent to which these changes were due to the introduction of CESG could not be determined as the study was not designed to measure the net impact of CESG. As the determination of CESG's net impact with respect to RESP holdings and contribution levels are important areas of research for the summative evaluation planned for 2004, exploratory data and modelling work will be undertaken in 2003 to determine the best methods to use.

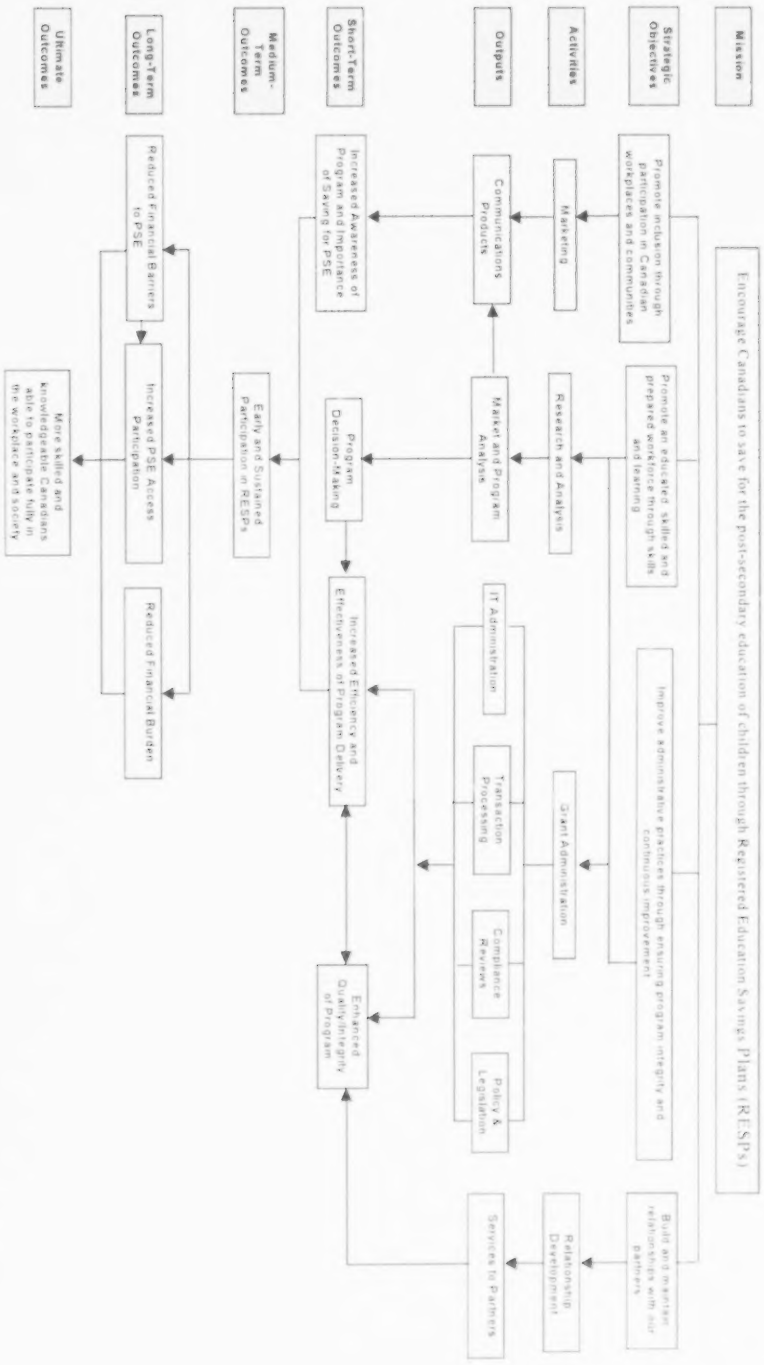
- An expert panel composed of econometricians, financial experts, HRDC program and research officials as well as representatives from other government departments (e.g., Finance) will review and provide advice on the CESG methodological plan and the findings from the exploratory data and modelling work. The work will be completed in 2003.

The incremental effect of CESG on the number of RESP will be addressed in the summative evaluation.

Incrementality in program evaluation terms, attempts to answer the following question: "(1) Did the program intervention make an overall difference with respect to the intended result?; and (2) If yes, what was the extent of the difference?"

With respect to the CESG, the desired incremental program effect is illustrated in Exhibit 7.1, page 46. The difference between the projected trend line and the actual post-program observation of RESP contribution (either in terms of total amount, or number of new accounts) after the introduction of CESG, can be attributed to the program itself. A_1, A_2, A_3 are observations of past RESP contributions, A_4 is the projected contribution of RESP without CESG and B_1 is the actual contribution of RESP after the introduction of CESG. The difference between B_1 and A_4 is the estimated program incremental effect at point t_2.

Appendix: CESG Logic Model


Mission
Encourage Canadians to save for the post-secondary education of children through Registered Education Savings Plans (RESPs)
Strategic Objectives
Promote inclusion through participation in Canadian workplaces and communities
Promote an educated, skilled and prepared workforce through skills and learning
Improve administrative practices through ensuring program integrity and continuous improvement
Build and maintain relationships with our partners
Activities
Marketing
Research and Analysis
Grant Administration
Relationship Development
Outputs
Communications Products
Market and Program Analysis
IT Administration
Transaction Processing
Compliance Review
Policy & Legislation
Services to Partners
Short-Term Outcomes
Increased Awareness of Program and Importance of Saving for PSE
Program Decision-Making
Increased Efficiency and Effectiveness of Program Delivery
Enhanced Quality/Integrity of Program
Medium-Term Outcomes
Early and Sustained Participation in RESPs
Long-Term Outcomes
Reduced Financial Barriers to PSE
Increased PSE Access Participation
Reduced Financial Burden
Ultimate Outcomes
More skilled and knowledgeable Canadians able to participate fully in the workplace and society

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